ALTERNATIVES TO THE HEAVY VEHICLE USE TAX

HEARING

BEFORE THE

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HOUSE OF REPRESENTATIVES

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ALTERNATIVES TO THE HEAVY VEHICLE USE TAX

THURSDAY, FEBRUARY 23, 1984

House of Representatives,
Committee on Ways and Means,
Washington, D.C.

The committee met at 9:30 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Dan Rostenkowski (chairman of the committee) presiding.

Chairman Rostenkowski. The committee will come to order.

Today, the Committee on Ways and Means will receive testimony on alternatives to the heavy vehicle use tax as modified by the Highway Revenue Act of 1982. When it restructured and increased the use tax in the 1982 highway legislation, Congress attempted to raise revenue for an expanded highway program in a more equitable way by shifting a greater share of the tax burden to heavy trucks.

The 1982 legislation also increased the allowable size and weight of heavy trucks permitted on the public highways. The 1982 Department of Transportation highway cost allocation study had found that heavy trucks were seriously underpaying their fair share of highway costs. Because of questions about the equity of use taxes among those who travel long distances and those who travel little during the year, the 1982 legislation required the Department of Transportation and Treasury to study alternatives to the heavy vehicle use tax. That report listing numerous alternatives to use the tax was issued in January.

Today's hearing fulfills a longstanding commitment to review possible, modifications to the 1982 heavy vehicle use tax. This committee is receptive to alternatives that achieve policy results similar to those sought in 1982. It is important that any legislation be revenue neutral; that is, provide as much revenue over the duration of the highway excise taxes as would be generated for the highway trust fund if no amendments were made to present law.

As in 1982, this committee will be concerned with the cost allocation effects of any proposed alternative. In addition, it is essential that any proposed alternative meet standards of administrability and enforceability by the Internal Revenue Service.

I wish to emphasize again that the scope of today's hearing is limited to the issue of heavy vehicle use tax alternatives. The committee will not entertain testimony at this time on any other aspects of the 1982 legislation or other nongermane proposals.

In addition, I urge all witnesses to summarize their statements. Each written statement will be placed in the record in its entirety.

Without objection, the press release announcing this hearing will be placed in the record.

[The press release follows:]

[Press release of Wednesday, February 1, 1984]

HON. DAN ROSTENKOWSKI (D., ILL.), CHAIRMAN, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES HEARINGS ON ALTERNATIVES TO THE HEAVY VEHICLE USE TAX

The Honorable Dan Rostenkowski (D., Ill.), Chairman of the Committee on Ways and Means, U.S. House of Representatives, today announced the Committee will hold public hearing on Thursday, February 23, 1984, at 10:00 a.m., in the Committee's main hearing room, 1100 Longworth House Office Building, to hear testimony on Department of Transportation alternatives to the heavy vehicle use tax enacted in the Highway Revenue Act of 1982. It is anticipated that testimony will be received from the Departments of Transportation and Treasury and from representatives of affected groups. Testimony will be strictly limited, however, to the issue outlined below. The Committee will not entertain testimony on any other aspects of the Highway Revenue Act of 1982 at this time.

The Highway Revenue Act of 1982 converted the annual heavy vehicle use tax to a graduated tax, effective July 1, 1984. The maximum tax is increased to $1,600 on July 1, 1984, $1,700 on July 1, 1986, $1,800 on July 1, 1987, and $1,900 on July 1, 1988. There is a one-year delay of this phase-in for owner-operators with five or fewer trucks. If a truck is retired from service during the year because of accident or theft, the use tax will be refunded on a pro-rata basis. There is also an exemption for trucks used on highways for 5,000 miles or less during the year. Under present and prior law, this tax is $3 per 1,000 pounds of gross vehicle weight, applied to vehicles weighing in excess of 26,000 pounds, for a maximum tax of $240. There were no exemptions or prorations permitted. Consistent with the Department of Transportation's cost allocation study, the Act also repealed a number of taxes imposed on highway vehicles.

In restructuring the use tax in the 1982 Act, the Congress was attempting to raise revenue for an expanded highway program in a more equitable way by shifting a greater share of the tax burden to heavier trucks. The Department of Transportation had found in its 1982 highway cost-allocation study that heavy trucks were seriously underpaying their fair share of highway costs. The 1982 legislation also required the Secretary of Transportation (in consultation with the Secretary of the Treasury, State officials, motor carriers and other affected parties) to study alternative forms of the highway use tax, study plans for better administration of the tax, and report findings to the House of Representatives and Senate before January 2, 1985. On January 26, 1984, the Department of Transportation issued its report entitled, "Alternatives to Tax on Use of Heavy Trucks." The report analyzes various alternatives to the present heavy vehicle use tax on the basis of revenue neutrality, cost allocation, and administrative difficulty.

In announcing the hearing, Chairman Rostenkowski stated: "The Committee on Ways and Means has a long-standing commitment to reconsider the 1982 legislation which restructured the heavy vehicle use tax if the Administration works out a compromise with affected parties. It is my hope that such a compromise will be possible. The Committee will be willing to entertain any alternative recommended by the Administration that achieves the cost allocation and revenue goals of the 1982 legislation. However, the Committee also believes it is essential that any proposed alternatives to the heavy vehicle use tax must meet standards of administrability and enforceability by the Internal Revenue Service."

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Committee must submit their requests to be heard in writing no later than Wednesday, February 15, 1984, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

In view of the limited time available to hear witnesses, the Committee will not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance will be encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

It is urged that persons and organizations having a common position make every effort to designate one spokesman to represent them in order for the Committee to hear as many points of view as possible. Time for oral presentations will be strictly limited with the understanding that a more detailed statement may be included in the printed record of the hearing. This process will afford more time for members to question witnesses. In addition, witnesses may be grouped as panelists with strict time limitations for each panelist.

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Committee are required to submit 200 copies of their prepared statements to the Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance. Failure to comply with this requirement may result in the witness being denied the opportunity to testify in person.

Requests to be heard must contain the following information:

1. The name, full address, and capacity in which the witness will appear, as well as a telephone number where he or his designated representative may be reached;
2. A list of any clients or persons, or any organization for whom the witness appears; and
3. A topical outline or summary of comments and recommendations.

The above information should also be incorporated in the prepared statements to be presented in person as well as those filed for the printed record of the hearing.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting written statements for the printed record of the hearing should submit at least six copies by the close of business, Thursday, March 1, 1984, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 100 additional copies for this purpose to the Committee office before the hearing begins.

Chairman ROSTENKOWSKI. I would like now to express my gratitude to the present Secretary of Transportation, who has a great deal of influence not only in the executive branch but I am sure in the legislative branch as well. I hope my colleagues on the committee will be as cordial to Elizabeth Dole as possible, and that we can develop legislative alternatives which will suit the administration and this committee, and which will be in the Nation's best interest.

I yield now to my colleague, Mr. Conable.

Mr. CONABLE. Thank you, Mr. Chairman.

I simply want to welcome the Secretary here before our committee. We are proud of her work in the Department of Transportation and are well aware that she is on top of the proposals coming before us.

From a personal point of view, Mr. Chairman, my two concerns in this area are, first of all, some degree of revenue neutrality. I hope this committee will not give away a lot of revenue at a time in which fiscal concerns are so high in the minds of so many people.

Second, I hope we can come up with an alternative that is administratively feasible. I am concerned that one of the steps—that some of the steps available to us might create tremendous administrative complexity.

I acknowledge that there is a serious problem of fairness in the existing law due to take effect on a graduated basis over the next few years, but at least that has the virtue of easy administratability. I hope we can work out an alternative that would be fairer and still be administratively reasonable and revenue neutral.

I know that this is a concern in your mind, Madam Secretary, and we will look forward to your testimony with great interest.

Secretary DOLE. Thank you.

Chairman ROSTENKOWSKI. Mr. Frenzel is recognized.

Mr. FRENZEL. Thank you, Mr. Chairman.

I want to commend you for scheduling the hearing. I, too, hope we can reach a speedy consensus.

As you know, Mr. Jenkins, Mr. Campbell and I introduced legislation early in 1983 to replace the heavy vehicle use tax with a more equitable tax on diesel fuel. The legislation, H.R. 2124, has now been cosponsored by 19 members of this committee and 246 Members of the House. However, the authors are committed to revenue neutrality, so we know modifications are going to be necessary.

As mandated by Congress, the Secretary, for the Department, has submitted a series of options for replacement of the tax. DOT and the Secretary are to be commended for providing us with that list of options ahead of the schedule. However, the options proposed by DOT are not the only options available, and I think we will hear in later testimony that they are not highly favored by large sectors of the industry.

The problem, as I see it, is whether total weight is to be the sole determinant of assigning costs or whether, as the Department has told us ever since I came to Congress, there are other factors such as axle weight which are also very important.

In my judgment, however, we are past the point of quibbling over whether one segment of the trucking industry is going to pay a couple of percent more or less. It's time to try to seriously work out a replacement. I am looking forward to the testimony of the Secretary. I thank her for the work she has done so far, and I join you in welcoming her to the committee.

Chairman ROSTENKOWSKI. Madam Secretary, welcome to the Committee on Ways and Means. You may proceed.

STATEMENT OF HON. ELIZABETH H. DOLE, SECRETARY OF TRANSPORTATION, ACCOMPANIED BY R. A. BARNHART, ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION, L. P. LAMM, EXECUTIVE DIRECTOR, AND ANTHONY KANE

Secretary DOLE. Thank you, Mr. Chairman, members of the committee. I want to thank you for inviting me here to testify this morning on this very critical issue. I am just sorry that because of longstanding commitments to testify before the Senate Appropriations Committee that I will have to leave before 10. But Ray Barnhart, of course, the Highway Administrator, is with me this morning, and he will be able to remain after I have to leave.

As required by the Surface Transportation Assistance Act, as you mentioned, we submitted to the Congress a full report on possible alternatives to the truck taxes levied by the act. We completed that report a year before the date required by the statute and 6 months before the heavy truck taxes are scheduled to begin to allow ample time for reviewing the issues and exploring reasonable alternatives.

The basic premise of the truck tax is user equity. We believe that those who benefit from Government-provided services should pay their cost to the maximum extent possible. This principle, the underlying tenet of the highway trust fund, is a well-established component of transportation policy and one that Congress has long supported.

For the trucking industry, the public highway system is their factory, an essential part of their business. Any alternative to the truck taxes now on the books must not, in my judgment, violate the policy of user fee equity.

The trucking industry, understandably, has been concerned about the increased lump-sum taxes scheduled to begin this year. The administration opposes any legislation that would reduce the revenues generated by the Surface Transportation Assistance Act, and we continue to believe that heavy trucks should bear their fair share of highway costs. However, there are alternatives that would satisfy both the legitimate concerns of the industry and our bottom-line criteria. Those are alternatives four, five, six and seven of our study.

Any of those four options, Mr. Chairman, would be acceptable to the administration and would, I think, address the principal concerns of the trucking industry. Each alternative would reduce the lump sum tax in favor of a modest increase in the diesel tax.

The option identified as DOT 4 would provide the most relief for the industry by combining a 6-cent diesel fuel tax increase with a significantly reduced heavy truck use tax, bringing that tax ceiling down to $650 a year, from the $1,600 to $1,900 range provided in current law.

DOT 4 alternative would also raise the lower limit of the use tax from 33,000 pounds to 55,000 pounds. This would further aid the industry by removing 700,000 trucks from the requirement to file and pay the use tax. That is about 40 percent. This proposal would improve both equity and tax administration.

This proposal then, in summary, has several attractive features. First, it relieves the heavy truck industry of the large lump-sum payments in favor of a 6-cent a gallon increase in diesel fuel taxes. Two, it responds to the motor carrier industry's concerns of improving equity for low mileage vehicles. Third, it maintains the revenue levels needed to meet the Nation's highway and bridge needs. Fourth, it retains the same relative share of the tax liability for each class of vehicle. And finally, by raising the weight threshold, the cost of administering the tax will be reduced, because about 40 percent fewer vehicles will be liable for the tax.

While DOT 4 is not the only acceptable alternative, we feel it is both a workable option and a worthy one for the trucking industry. It converts a sizable due bill to a convenient pay-as-you-go tax.

For the one or two-rig operator, the independent trucker whose livelihood depends upon his skill as an owner operator, it cuts an imposing annual tax bill down to size. Our proposal reduces the trucker's direct tax by two-thirds. For the operator of the largest truck it amounts to $167.50 a quarter, about the cost of a tank or so of fuel. It makes it easier for the trucker to meet his tax obligation while still playing fair with the motoring public. We all use our highways. We should pay as closely as possible the amount of tax proportional to our use and our share of the cost.

I understand representatives of the trucking industry have developed data that show that the heaviest trucks traveling over 120,000 miles per year would end up paying more under DOT 4 than under the Surface Transportation Assistance Act. I offer just two observations on that point, Mr. Chairman.

First, if there is to be any change in the taxes, someone will be paying more, just as others will be paying less. The only alternative that is revenue neutral and costs no one any more is the status quo. Our objective is to identify changes that respond to the industry's needs fairly and equitably and without fiscal damage to the highway program.

Second, heavy high mileage vehicles should pay more since they are causing subsequently greater highway damage than they are paying in user taxes. Furthermore, the number of high mileage trucks is relatively small. We estimate that over 80 percent of the trucks currently liable for the use tax would pay less under DOT 4 than under current law.

Let me add, Mr. Chairman, that the latest revenue projections reduce the amount of heavy truck taxes from the 70 percent of their share presumed when the Surface Transportation Assistance Act was passed to 66 percent of their share of highway costs. We accept this equity variation, and in fact used it as the basis for our analysis. But we believe anything less than that would be grossly unfair to other highway users.

In developing this proposal we have worked closely with Members of Congress, as well as the trucking industry. It is in my view a responsible, constructive solution to the industry's concern, while fully meeting the intent of the Surface Transportation Assistance Act.

Mr. Chairman, I just want to thank you and the members of this committee for the strong support you have provided in establishing and maintaining these critical user fees. I look forward to working with you further as we try to resolve this issue. I do appreciate very much your continued support, because I know that is essential as we review the issues before us.

Chairman ROSTENKOWSKI. Thank you very much.

Are there any questions?

[No response.]

Chairman ROSTENKOWSKI. Thank you very much, Madame Secretary.

Secretary DOLE. Thank you.

[The prepared statement follows:]

STATEMENT OF HON. ELIZABETH H. DOLE, SECRETARY OF TRANSPORTATION

Mr. Chairman, thank you for this opportunity to testify before the House Ways and Means Committee on the subject of truck taxes. I consider the question of appropriate highway user charges to be an essential component, not only of our highway program, but of the Administration's approach to transportation policy. The principle that underpins our approach to highway user charges—that to the maximum extent possible the recipient of services provided by the goverment should pay the cost of providing those services—is basic to our entire transportation policy.

Mr. Chairman, I want to thank you and the members of this Committee for the strong support you have provided in establishing and maintaining these critical user fees. Your continued support will be essential as we review the issues before us.

STUDY OF ALTERNATIVE TAXES

I have submitted, approximately one year before the date required by statute, the report to Congress on alternatives to the tax on the use of heavy trucks required by section 513(g) of the Surface Transportation Assistance Act of 1982 (STAA). In undertakng the analysis that is documented in the report, the Department focused on three major criteria as the basis for measuring the suitability of the various tax alternatives. These are:

To maintain revenue levels, in total and by vehicle class, as enacted in the STAA;

To improve the ease of payment and equity within classes of users by shifting from lump-sum to use-based taxes to the extent feasible, and

To maintain the maximum level of simplicity in administrative and enforcement requirements.

We deliberately avoided making recommendations in the report. Instead, we chose to provide the results of the analysis so that Congress, the highway user community and the Department could more freely consider and discuss the information. At this point, I believe it is appropriate for me to offer some observations on both the history and the current debate so that we can focus directly on the results before us.

The Surface Transportation Assistance Act of 1982 accomplished two things. First, it provided an infusion of funds to rehabilitate our highway system that was badly in need of additional work. We must not reduce this flow of funds with any change we make now. Second, the STAA substantially improved the fairness of the tax structure among the major classes of users of the highways. We must preserve this advance in equity.

LEVEL OF FUNDS

No one is disputing the merits of the substantial increase in the funding and program levels provided by the STAA. In general, all of the users agree that increased investment was needed and is justified by the contribution which the highways of the nation make to our economic well-being.

It should also be pointed out that, over the next five years, the cash balances for the highway account of the Highway Trust Fund will decline precipitously. Current Administration projections are that the cash balance will decline from $9.4 billion at the end of fiscal year 1984 to $3.8 billion at the end of fiscal year 1989. Obviously, the Highway Trust Fund can ill afford reductions in trust fund receipts lest they not be adequate to cover future needs. This is among the reasons that I feel so strongly about the criterion of "revenue neutrality". The Administration would oppose any loss of receipts to the trust fund.

However, it has been suggested by some segments of the trucking industry that recent Treasury projections which show that automobile and light truck users will pay more money into the Highway Trust Fund than was originally projected should be the basis for a decrease in the tax level for heavy trucks. This decrease for heavy trucks is not justified. In fact, the new projections indicate that trucks will contribute about one billion dollars less to the total trust fund revenues than was expected at the time of the passage of the STAA.

The facts, then, would better support a tax increase for heavy trucks rather than a reduction. However, we are not seeking changes based on the earlier revenue projections but only seeking to maintain the heavy truck share based on the taxes enacted in the STAA.

USER CHARGE STRUCTURE

It is principally on the second accomplishment of the STAA—the improvement in fairness or equity of the user charge structure—that the debate has centered. In our Highway Cost Allocation Study and in our initial 1982 highway bill proposal, the Department recommended to Congress user charges that would come closer to collecting from the various classes of vehicles amounts equal to the costs which they each impose upon the highway system. Congress enacted a tax structure that was a compromise—less than the "fair share" recommendations which we had made, but an improvement over the user equity of the pre-STAA tax structure. The proposals which much of the trucking industry has been recommending would be a step backwards from the compromise equity improvements which Congress adopted in the STAA.

I will oppose alternatives which reduce the fairness or equity of the highway use tax structure below that enacted by the STAA. I believe that to do otherwise would be unfair to the users of the highways who now pay, or overpay, their legitimate share of the system costs for which they are responsible. It would further distort the market for transportation services in which, as in any market, prices must accurately reflect the costs of these services if the market is to be efficient.

WORKABLE ALTERNATIVE

As I noted earlier, the Department is concerned with (1) revenue neutrality and equity, (2) improving ease of payments and equity within the various classes of users, and (3) keeping an administratively feasible tax structure. I have consulted with Members of Congress, officials within the Administration, trucking representatives and other affected parties. Our analysis indicates that alternatives 4, 5, 6 and 7 of our study meet the criteria discussed earlier. Any of these options would be acceptable to the Administration. From our communications with the trucking industry, I know how important it is to them that the lump-sum use tax be reduced as much as possible. Thus, I believe that DOT 4 is an alternative which meets the Administration's objectives while at the same time producing substantial relief for the trucking industry.

DOT 4 combines a 6 cent increase in the diesel fuel tax with a substantially reduced heavy vehicle use tax. The reduced use tax is graduated for trucks beginning at 55,000 pounds up to 80,000 pounds gross vehicle weight, with a maximum of $650 at the highest weight. This is a dramatic decrease from the current maximum use tax in the STAA of $1900. Moreover, by raising the lower limit of the use tax to 55,000 pounds, this alternative would remove trucks from the requirement to file and pay this tax. In addition to the obvious benefits to the 700,000 truckers who have this burden lifted, raising the lower limit of the use tax to 55,000 pounds has important equity implications. The equity advantage is due to the fact that trucks in the 33,000 to 55,000 pound group will pay more than their fair share from the diesel differential alone. Thus, removing the use tax requirement from these trucks enhances the fairness of our recommended option. Like a number of other options, DOT 4 meets the three major goals that we have set out. What sets it apart from the others that meet those goals is that it transfers the maximum tax burden to a pay-as-you-go tax instrument without compromising our equity objective. Moreover, this option, as under the STAA, would delay for one year the increase in the heavy vehicle use tax for owner-operators with five or fewer trucks; they would continue to pay the old use taxes until July 1, 1985.

I understand that representatives of the trucking industry have developed data to show that the heaviest trucks traveling over 120,000 miles per year would end up paying more under DOT 4 than under the STAA. I would offer two observations on this point. First, if there is to be any change in the taxes, someone will be paying more, just as others will pay less. The only alternative that is revenue neutral and costs no one any more is the status quo. Our objective is to identify changes that respond to the industry's needs fairly and equitably and without fiscal damage to the highway program. Second, heavy high-mileage vehicles should pay more since they are causing substantially greater highway damage than they are paying in user taxes. Furthermore, the number of high mileage trucks is relatively small. We estimate that over 80% of the trucks currently liable for the use tax would pay less under DOT 4 than under current law.

While I believe that DOT 4 is a workable and desirable option, it also represents the limit of the reduction in the heavy vehicle use tax that we could accept. Any further reduction in the amount of the heavy vehicle use tax will result in an unacceptable shift of the tax burden away from those users who should be paying to those who are already paying their share. Should this occur, or should net revenues to the Highway Trust Fund be reduced, I would not be able to recommend to the President that he sign the resulting legislation.

With respect to administrative issues generally, I don't believe that DOT 4 presents any significant problem. However, we will be working closely with the Treasury Department to monitor the administrative and compliance issues closely since any diversion of loss comes out of the Highway Trust Fund and reduces our ability to respond to program needs.

REVENUE ESTIMATES

Recently, the Joint Tax Committee provided you with estimates of three tax options considered in our report: H.R. 2124, which would repeal the STAA heavy vehicle use taxes and substitute a 5¢ diesel differential; DOT 2, a modified form of H.R.

2124 which would combine the 5¢ diesel differential with the pre-STAA heavy vehicle use tax structure; and, DOT 4.

Both the Treasury Department and DOT are now reviewing these new estimates to determine where methodologies and assumptions may differ. While we have not reached any specific conclusions, I think two general points can be made. First, preliminary discussions with the staff of the Joint Tax Committee indicate that their estimates and our estimates are very close, if we make the same assumptions about repeal of the tax. If the same assumptions were adopted, the majority of the variation between their estimate of the revenue generated by DOT 4 and our estimate would disappear.

Second, the Joint Tax Committee estimates of H.R. 2124 and DOT 2 show, as our estimates also confirm, that these alternatives would result in unacceptable revenue losses for the Highway Trust Fund. In the case of H.R. 2124, the Committee estimates an aggregate loss of $1.8 billion. With respect to DOT 2, the Committee estimates an aggregate loss of $700 million.

CLOSING

Mr. Chairman, let me thank you and the members of your Committee for your contributions to our efforts toward a fair and equitable resolution of this matter. I look forward to working with you and the other Members of Congress as you consider any changes to the highway use tax structure.

I would be pleased to answer any questions you or other members of the Committee might have.

Chairman ROSTENKOWSKI. Mr. Barnhart, do you have a statement?

Mr. BARNHART. I am here to respond to any specific questions you might have about the bill. Les Lamm, executive director of the agency, and Anthony Kane are with me.

Chairman ROSTENKOWSKI. Do any of my colleagues have any questions for Mr. Barnhart?

Mr. Schulze will inquire.

Mr. SCHULZE. Yes, Mr. Chairman. I am starting to hear from the owners of diesel automobiles who think it is absolutely outrageous that they should pay 6 cents a gallon to subsidize the destruction of our roads. I think this is totally inequitable, and an many of the people, especially the elderly, will not file for a refund. They think it is a total ripoff, and a totally unfair proposal. Why should we inconvenience them?

Do you have the figures? How many diesel automobile owners are there in the country?

Mr. BARNHART. Tony, do we have the diesel automobile numbers?

Mr. SCHULZE. I am sure the Department of Transportation would have that at their fingertips.

Mr. BARNHART. We have about 3½ million.

Mr. SCHULZE. How many people are we talking about with the over 55,000 trucks? How many are there?

Mr. LAMM. Over 55,000, Mr. Schulze. That is roughly 1.2 million diesel trucks.

Mr. SCHULZE. So there are twice as many people impacted by this thing who would have to receive a return as there are those that you are really trying to get.

Mr. LAMM. I should point out the impact on the average owner of a diesel vehicle driving the normal average mileage of around 10,500 per year would be about $20 per year.

Mr. SCHULZE. But you are saying you are going to take $20 a year from them to subsidize this operation.

Mr. **Lamm**. The intention is to refund the $20 to these taxpayers.

Mr. **Schulze**. The reason they bought a diesel is to save money, and the diesel automobile, because of some problems, has been discounted in its value. I do not know whether the Department of Transportation looked into this matter thoroughly enough before they built them or not, but diesel owners are pretty unhappy now, and they are going to be a lot more unhappy when they find out they are paying 6 cents or more a gallon to subsidize this operation.

Mr. **Barnhart**. But they will claim that on their income tax, sir.

Mr. **Schulze**. How will that be arranged?

Mr. **Barnhart**. It will be a form just as we had before.

Mr. **Schulze**. A separate form?

Mr. **Barnhart**. Mr. Schulze, may I suggest following our appearance here, Treasury Department witnesses will appear before the committee, and the concept can be explained by them.

Mr. **Schulze**. It is your proposal.

Mr. **Barnhart**. The concept of administering the rebate would be a Treasury Department issue.

Mr. **Schulze**. So you have not given thought to how it would be handled.

Mr. **Barnhart**. On the contrary.

Mr. **Woodward**. Mr. Schulze, on behalf of the Treasury Department, I have a statement which goes into some detail about the credit mechanism.

Mr. **Schulze**. But this is not Treasury's program; it is the Department of Transportation's.

Mr. **Woodward**. But we have worked closely with the Department of Transportation in developing this.

Mr. **Schulze**. The Treasury enjoys shafting little people as much as DOT, I guess. I just think it is totally inequitable. I think what you are doing is taking a group of 3½ million innocent people and bringing them into this thing to try to solve a problem that looks like a political problem which this industry brought on itself by noncooperation when this measure was put through in the first place.

In your proposal do we reduce the size and weight in order to make up for some of this? I understand the truckers did not really want that. They tell me they did not ask for the size, the length and width increase. Do we do that at the same time?

Mr. **Barnhart**. I am sorry. I do not understand.

Mr. **Schulze**. In the measure where this tax was levied were not the sizes of the trucks increased or the allowable size increased?

Mr. **Barnhart**. There was uniformity of size and weight, yes, and 80,000 pounds was mandated nationwide on the Interstate System.

Mr. **Schulze**. Wasn't that an increase over existing State levels?

Mr. **Barnhart**. Only three States were affected by the weight law, but we have diverse sizes and weights that are grandfathered and used throughout the country. This was an effort to get some system, some balance, some method to a very complex problem that exists around the country.

Mr. **Schulze**. But it did not increase is what you are saying to me.

Mr. **Barnhart**. It did in certain areas; it did not in other areas. As a matter of fact, these Federal specifications are lower than they are in many States.

Mr. **Schulze**. Do we decrease those things which were increased because we are changing this? Have you looked into that at all? Because I understand the trucking industry said they did not ask for those increases.

Mr. **Barnhart**. I do not know who represents the trucking industry. I have heard the trucking industry is opposed to DOT 4; yet, I find that is one smaller element of the trucking industry per se. As a matter of fact, the overwhelming majority of trucks will benefit from DOT 4 as opposed to the present law. Independents will benefit from the change. While they pay basically the same amount of money, it will be easier for them to pay it.

The low mileage vehicles, whether it is contractors, deliverers, or what have you, of intrastate activity, will benefit substantially. The storage and moving folks, who average somewhere around 40,000 miles a year, will save up to $800 a year over the 1982 act.

Mr. **Schulze**. Is that being done because the amount of destruction they cause on the highways is less? Is that what you are telling me?

Mr. **Barnhart**. This ties in with our cost allocation formula, and yes, they do in fact do less damage.

Mr. **Schulze**. And what you are saying now, do you have a chart which shows, it seems to me, when this was done originally, it was done on the basis that the Department of Transportation came up with a damage/cost ratio.

Mr. **Barnhart**. That is correct.

Mr. **Schulze**. Can you give us the damage/cost ratio that justifies this?

Mr. **Barnhart**. We certainly can. I would be happy to supply it to you.

Mr. **Schulze**. Do we have that?

Mr. **Lamm**. Yes, sir. The adjustment is not just within the level of cost that is applied to the vehicles of a certain weight. What happens is within the weight class some of the users are on the highway less frequently than others, and they, in turn, do not cause as much damage as the, let us say, similar weight vehicle on the system for twice as long.

Mr. **Schulze**. Is that because they do not travel as far?

Mr. **Lamm**. That is it exactly.

Mr. **Schulze**. In other words, they cause as much damage in a short stretch wherever they travel.

Mr. **Lamm**. That is it exactly.

Mr. **Schulze**. So they do not cause damage because they do not travel far. They cause just as much damage, but it is just in a limited area.

Mr. **Lamm**. We have not changed our estimate of how much a truck of a given weight would damage pavement per mile.

Mr. **Barnhart**. There are many activities around the country that are seasonal. They are not on the road 12 months out of the year.

Mr. **Schulze**. They still damage the road.

Mr. **Barnhart**. But they do not do as much.

Mr. **Schulze**. Will they pay enough to take care of the damage they cause?

Mr. **Barnhart**. According to our figures they do, yes, sir.

Mr. **Schulze**. And you say you do have that information before us?

Mr. **Barnhart**. Yes.

Mr. **Lamm**. We can give you a chart of the cost responsibility and payments within the various weight classes if the vehicle travels 10,000 to 100,000 miles per year.

For example, if you would refer to table VI-4 from our 513(g) study you can see it shows a summary of tax payments compared to cost responsibility for a 3S2 combination vehicle greater than 75,000 pounds.

Mr. **Schulze**. Do you have any problems with reducing some of those increases which were given to the truckers in the last measure if we implement some of your suggestions?

Mr. **Barnhart**. Reducing some of the increases—do you mean the size and weight issues?

Mr. **Schulze**. [Nods affirmatively.]

Mr. **Barnhart**. I do not think they should be reduced. I think the Congress acted with diligence and good judgment when we tried to bring some uniformity to this system, because the lack of uniformity is costing the consumer millions of dollars needlessly.

Mr. **Schulze**. Now, how would you suggest we take care of this inequity of charging the private diesel owner $20 a year or $30, $50, or $100 a year, depending upon how much he travels?

Mr. **Barnhart**. I do not think it is an inequity, because the individual can reclaim that money.

Mr. **Schulze**. Do you think the average citizens like to send the Federal Government $50 or $100 a year just out of the kindness of their hearts?

Mr. **Barnhart**. I do not think the average individual would be spending $50 to $100 a year on a diesel differential.

Mr. **Schulze**. Whatever it is, do you really think, if they did, we could probably get a handle on the deficit. Just send out the word, and we will solve our problem. Baloney. They do not want to pay that money and get it back.

Mr. **Barnhart**. Congressman, no one wants to pay more taxes, including the truckers. If you look at any of these charges, they will say they are too high, and they are unfair. They would say that about the STAA, and they have been saying that.

Certainly, there are some inequities. I do not say that the DOT 4 is perfect. There are some contradictions which can be addressed. The individual who is penalized is the one from 10,000 to 33,000 pounds. That is correct, and I cannot reconcile that. But on the whole, this is a far more balanced and equitable approach to the collection of taxes from trucks who do damage to the highway than what we have under the STAA.

Mr. **Schulze**. Is there not a way that this could be charged for trucks only? Is there not a way it could be rebated or not charged to the individual driving an automobile?

Mr. **Barnhart**. I think it would be administratively impossible to have different pumps for different usages of diesel vehicles.

Mr. SCHULZE. Do you have the figures on how many truckers buy diesel fuel at regular local gas stations, service stations?

Mr. BARNHART. No, we do not.

Mr. SCHULZE. Commonsense would tell me that the majority of truckers buy their fuel along the major highways at the truckstops. They do not pull into a neighborhood service station to fill up their diesels.

Mr. BARNHART. But the neighborhood service station has to get its diesel from somewhere, and I suspect it would come from the same supplier. I think you would have all kinds of diversions and abuses if we had a two-tier charge.

Mr. SCHULZE. So where are you going to collect this 6 cents?

Mr. BARNHART. At the pump, just as it has been collected. The mechanism is there. Treasury can address that.

Mr. SCHULZE. If you are collecting it at the pump, it is no problem to have some retailers pay it and others not.

Mr. BARNHART. If you were pumping diesel gas at a corner station, I think you would have a terrible time trying to keep books that could be audited to determine how much went into passenger cars and how much went into light trucks. It would be impossible.

Mr. SCHULZE. That would cause an inconvenience or inequity on someone, would it not?

Mr. BARNHART. It would certainly create more of a burden than what DOT is presenting.

Mr. SCHULZE. You are putting it on some people because it is a little less of a burden. You are putting it on 3½ million people and saying to hell with you, we are going to let you pay this money.

Mr. BARNHART. I would not accept your characterization of our saying "to hell" with anybody, Congressman.

Mr. SCHULZE. You are needlessly charging 3½ million people. You are making them pay 6 cents a gallon for absolutely no reason at all.

Thank you, Mr. Chairman.

Mr. PICKLE. Mr. Chairman.

Chairman ROSTENKOWSKI. At this point, the Chair would like to have Mr. Woodward of the Treasury Department present his statement. Then, I will recognize members for questions of this panel.

Mr. Woodward, you may proceed.

STATEMENT OF ROBERT G. WOODWARD, TAX LEGISLATIVE COUNSEL, U.S. DEPARTMENT OF THE TREASURY

Mr. WOODWARD. Thank you, Mr. Chairman. I am pleased to present the Treasury Department's view of the administrative aspects of the alternatives to the heavy truck use tax.

We agree with Secretary Dole that several of the alternatives presented in the DOT report would be acceptable to the administration, because each of these alternatives would satisfy criteria of revenue neutrality, equity, and administrative feasibility.

The higher rate of diesel fuel tax proposed by DOT, commonly referred to as a diesel differential tax, would be implemented by requiring operators of all diesel vehicles to pay the increased diesel fuel tax at the pump. Operators of vehicles weighing less than 10,000 pounds would be entitled to refunds of the tax in excess of 9 cents per gallon. In most cases, taxpayers could claim these refunds as tax credits on their income tax returns. I do not think this would require necessarily a separate form. It could probably be a separate line item on a return.

Compliance considerations require that a uniform tax be collected on all retail sales of diesel fuel with a provision for refund of the increased tax to operators of vehicles weighing less than 10,000 pounds. If the additional diesel fuel tax were implemented by charging heavy truck operators a higher price than light vehicle operators for diesel fuel at the pump, retail vendors of diesel fuel would be required to keep accurate records of the amounts of fuel sold to these different classes of vehicles. Indeed, they likely would be required to have separate pumps for the different types of vehicles.

The records would be inherently difficult to verify, and as a result, it would be very difficult to insure that diesel fuel vendors and heavy truck operators collect and pay the increased tax.

The Internal Revenue Service is studying a number of methods for implementing the refunds of the increased diesel tax to operators of vehicles weighing less than 10,000 pounds. We believe there are several methods that would be administratively feasible and would minimize the recordkeeping burden for operators of automobiles, vans, and light trucks.

One method under consideration would allow operators of diesel automobiles, vans, and light trucks to claim income tax credits based upon standard levels of annual fuel consumption determined by categories of vehicles. For example, a taxpayer who operates a diesel automobile might be allowed a minimum credit of somewhere between $18 and $30 per year based upon national averages for mileage driven and fuel efficiency for diesel automobiles. A taxpayer could obtain a credit larger than the standard credit by maintaining adequate records to establish a higher level of actual diesel fuel consumption.

A second alternative under consideration would be for the Internal Revenue Service to prepare tables for different categories of vehicles that specify the amount of the credit based upon actual mileage driven. An operator of a diesel vehicle could keep a record of annual mileage and determine the allowable credit by reference to a table included in the instructions accompanying the income tax forms.

Either the standard credit method or the mileage-based credit method would minimize administrative complexity for taxpayers and the IRS. Some critics of the diesel differential tax have expressed fear that individuals may abuse a credit system by claiming credits even if they do not own a diesel vehicle. In our self-assessment income tax system there is always a potential for overstated deductions or credits. However, providing for a standard credit or a mileage-based credit should minimize overstatements of credits. In fact, we believe a diesel differential tax with a moderate tax rate, as provided by any of the four acceptable DOT alternatives, would not be subject to widespread noncompliance. The tax benefits to be obtained from false claims would not justify the risk of civil and criminal penalties.

To summarize, the Treasury Department believes that a diesel differential tax can be implemented without imposing undue burdens on retail vendors and vehicle operators. The diesel differential tax described in DOT alternatives 4, 5, 6 or 7 could be administered in a successful fashion.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF ROBERT G. WOODWARD, TAX LEGISLATIVE COUNSEL, DEPARTMENT OF THE TREASURY

Mr. Chairman and Members of the Committee: I am pleased to appear before the Committee to present the Treasury Department's view of the administrative aspects of the alternatives to the heavy truck use tax. The Treasury Department concurred in the Department of Transportation's Report to Congress on Alternatives to Tax on Use of Heavy Trucks (DOT Report), which was mandated by section 513(g) of the Surface Transportation Assistance Act of 1982. We similarly agree with Secretary Dole's testimony that several of the alternatives presented in the DOT Report would be acceptable to the Administration, because each of these alternatives would satisfy the criteria of revenue neutrality, equity and administrative feasibility.

DESCRIPTION OF DOT ALTERNATIVES

The DOT Report analyzed a number of different alternatives to the present heavy truck use tax. Alternatives labelled DOT 4, 5, 6, and 7 were found to satisfy standards of equity and administrative feasibility and to produce about the same revenue as would be collected under the increased heavy truck use tax rates enacted in the Surface Transportation Assistance Act of 1982. Each alternative combines reduced rates for the heavy truck use tax and an increased rate of tax on diesel fuel used by vehicles weighing 10,000 pounds or more.

The four acceptable alternatives differ with respect to the amount of the increase in the diesel fuel tax (ranging from an increase of 4½ cents per gallon in DOT 6 to 6 cents per gallon in DOT 4) and the maximum rate of the heavy truck use tax (ranging from $650 in DOT 4 to $1,200 in DOT 6). Each alternative exempts vehicles weighing less than 10,000 pounds from the increase in the diesel fuel tax. Operators of these lighter vehicles would be entitled to a refund of the increased diesel fuel tax in excess of the existing 9 cents per gallon tax.

Each of the four acceptable DOT alternatives would impose the heavy truck use tax only on vehicles weighing 55,000 pounds or more. In contrast, the use tax increases which are scheduled to be phased in beginning July 1, 1984, apply to vehicles weighing 33,000 pounds or more, with the maximum tax rate apply to vehicles weighing 80,000 pounds or more. Consistent with the 1982 legislation, each of four acceptable DOT alternatives would exempt from the use tax any heavy truck travelling less than 5,000 miles per year on public highways.

By raising the lower limit of the use tax from 33,000 pounds to 55,000 pounds, the four acceptable DOT alternatives would remove approximately 700,000 trucks from the requirement of filing returns and paying this tax. Such a reduction in the number of taxpayers subject to the use tax would facilitate the effective administration of the tax.

ADMINISTRATIVE ASPECTS OF DIESEL DIFFERENTIAL TAX

A diesel differential tax would be implemented by requiring operators of all diesel vehicles to pay the increased diesel fuel tax at the pump. Operators of vehicles weighing less than 10,000 pounds would be entitled to refunds of the tax in excess of 9 cents per gallon. In most cases, taxpayers could claim these refunds as tax credits on their income tax returns.

Compliance considerations require that a uniform tax be collected upon all retail sales of diesel fuel with provision for a refund of the increased diesel tax to operators of vehicles weighing less than 10,000 pounds. If the differential rate structure we implemented by charging heavy truck operators a higher price than light vehicle operators for diesel fuel at the pump, retail vendors of diesel fuel would be required to keep accurate records of the amounts of fuel sold to these different classes of vehicles. These records would be inherently difficult to verify. As a result, it would be very difficult to insure that diesel fuel vendors and heavy truck operators collect and pay the increased tax.

The Internal Revenue Service is studying a number of methods for implementing the refunds of the increased diesel tax to operators of vehicles weighing less than 10,000 pounds. Although no particular approach has yet been selected, we believe that several methods would be administratively feasible and would minimize the record-keeping burden for operators of automobiles, vans and light trucks. One method under consideration would allow operators of diesel automobiles, vans and light trucks to claim income tax credits based on standard levels of annual fuel consumption, determined by categories of vehicles. For example, a taxpayer who operates a diesel automobile might be allowed a minimum credit of between $18 and $30 per year, based on national averages for mileage driven and fuel efficiency for diesel automobiles. A taxpayer could obtain a credit larger than the standard credit by maintaining adequate records to establish a higher level of actual diesel fuel consumption.

A second alternative under consideration would be for the Internal Revenue Service to prepare tables for different categories of vehicles that specify the amount of the credit based on actual mileage driven. An operator of a diesel vehicle could keep a record of annual mileage and determine the allowable credit by reference to a table included in the instructions accompanying the income tax forms. Either the standard credit method or the mileage based credit method would minimize administrative complexity for taxpayers and the Internal Revenue Service.

Some critics of a diesel differential tax have expressed their fear that individuals may abuse a credit system by claiming credits even if they do not own a diesel vehicle. In our self-assessment income tax system, there is always a potential for overstated deductions or credits. However, providing for a standard credit or a credit specified in a table should minimize overstatements of credits. In fact we believe that a diesel differential tax with a moderate tax rate, as provided in any of the four acceptable DOT alternatives, would not be subject to widespread noncompliance. The tax benefits to be obtained from false credit claims simply would not justify the risk of civil or criminal penalties.

CONCLUSION

The Treasury Department believes that a diesel differential tax can be implemented without imposing undue burdens on retail vendors and vehicle operators. The diesel differential tax described in DOT alternatives 4, 5, 6 or 7 could be administered in a manner consistent with the Administration's insistence that any alternative be revenue neutral.

I would be happy to answer your questions.

Mr. GIBBONS [presiding]. Thank you, sir.

We will go down the committee roster now.

Mr. Jacobs.

Mr. JACOBS. I have a question for the Highway Administrator. Do you have a chart showing how many Members of Congress have diesel automobiles? [Laughter.]

Mr. BARNHART. No, sir. But I do remember that a tremendous number have endorsed a proposal that had a 5-cent diesel differential. And one must maintain one's sense of humor in this business, I guess, because I think of that 5-cent diesel differential that has been pretty well the talk of the town and has been pretty well accepted, and DOT proposes a 6-cent diesel differential, which amounts to about $20, and suddenly there are cries of outrage and abusing the little person.

I suspect the major concern is with the 11 percent of the major trucking industry, which is the long haul driver, which in fact will be required to pay more than under the 1982 act.

What more can I say about that point?

Mr. JACOBS. You really should work up a chart like that.

Mr. BARNHART. Yes, sir. We should.

Mr. JACOBS. And submit it. It would help us judge the hearings a little bit.

[The following was subsequently received:]

Percent of Vehicles That Would Pay More Under DOT 4 Versus the STAA of 1982

Gross Weight Group:	*Percent*
33,000–55,000 lbs	25
55,000–70,000 lbs	17
70,000–75,000 lbs	14
75,000 and above	11

Mr. GIBBONS. Mr. Duncan.

Mr. DUNCAN. Mr. Chairman, I have no questions. I do not own a diesel. I would not have one if you gave it to me. [Laughter.]

Mr. GIBBONS. All right. Mr. Russo.

[No response.]

Mr. GIBBONS. Mr. Matsui.

[No response.]

Mr. GIBBONS. Mr. Dorgan.

[No response.]

Mr. GIBBONS. Mr. Pickle.

Mr. PICKLE. Mr. Barnhart, I am glad to welcome you here and commend you for the good service you render to the highway system of our country.

The alternatives you have submitted are reasonable ones for us to consider. I want to ask a question separate and apart from the use tax issue.

We have a bottleneck now in the release of funds with respect to the interstate cost estimates, the so-called ICE allocations. The money is not being released, and as I understand it, we are reaching a critical condition in the program.

Can you tell me where the bottleneck is and what can be done, what should be done, and how urgent is it?

Mr. BARNHART. Mr. Chairman, I cannot tell you how to do it. I can tell you that the lack of ability of this administration to distribute over $5 billion that has already been paid into the fund by the taxpayers has been the biggest disappointment of my 3 years. I think it is a disgraceful stalemate on the part of the Congress, for money has been authorized by the Congress to go out and repair this deteriorated infrastructure that was in the headlines all last year. We have gotten the dollars out of the taxpayers, and yet, we are unable to distribute that money because of the stalemate.

On reaching an agreement for the formula by which we can distribute that money, it hinges over a couple of issues, and the primary one is an interpretation by the Federal Highway Administration that some projects in one State are not eligible for Federal funding. They have never been eligible for Federal funding under the categories in the way in which they are now presented.

Mr. PICKLE. How many States are involved?

Mr. BARNHART. One State.

Mr. PICKLE. What State?

Mr. BARNHART. That pertains to our interstate funding and projects in Massachusetts. What has happened is, this one dilemma is shutting down the highway construction program across the country. We are sitting on $450 million that should have been distributed to Texas last October 1. We are sitting on $250 million that should have been delivered to Illinois last October. We are sitting on $480 million for California that should have been distributed last October 1. As far as Florida goes, I have that figure, too—$250 million.

I would plead with the Congress to come to a resolution of this problem, because we are missing entire construction seasons. It will take millions of dollars of cost to restore the program.

Mr. PICKLE. It may be unfair to ask you where the bottleneck is, and what to do about it, but if you have any suggestions, they will be heard, because we are nearing a critical condition.

Mr. BARNHART. I will tell you what I asked the highway department in Massachusetts to do last week. I asked them to sue me. If they think we have been arbitrary and capricious in determining eligibility, please sue me because it is a question of fact. If they would sue me, they could protect their rights as they see them for the State and get about the business of allowing all of the other States to get their money and proceed.

Unfortunately, I doubt if the Commonwealth will sue, because I think they recognize we have in fact interpreted the law correctly.

Mr. PICKLE. I think I see where the problem is.

Mr. BARNHART. Might I point out, we just had agreement in Texas on a comparable project yesterday which supported the Federal Highway Administration, but if a project is made eligible in one state, it seems by principle other comparable projects around the country should also be made eligible. We are talking about billions of dollars, not just hundreds of millions. In this one instance we are talking about $1 billion a mile beautification project.

Mr. PICKLE. Well, I am going to be looking into what we can do, but I assume the bottleneck is in Public Works?

Mr. BARNHART. Yes, sir.

Mr. PICKLE. Is that primarily where it is, and the primary difficulty is centered in Massachusetts?

Mr. BARNHART. Yes, sir.

Mr. PICKLE. We have an infrastructure problem here, don't we?

Mr. BARNHART. Yes, sir.

Chairman ROSTENKOWSKI. Mr. Woodward, on page 2 of your testimony, you suggest alternative methods for rebating the diesel differential. I am afraid that I expect more than alternatives. I want to encourage you to be more specific in your recommendations to the committee with respect to the administrative and enforcement aspects of this legislation. If we are to mark up a bill in the very near future, I will expect the Treasury Department to be a little more specific.

Would you like to elaborate on your alternatives?

Mr. WOODWARD. Mr. Chairman, there are two alternatives specifically in there, and I think at this point we have not made a decision on which would be preferable. We think either would be workable. The question is which would be fairer and less burdensome on the IRS.

Chairman ROSTENKOWSKI. Do you think you will come to a conclusion?

Mr. WOODWARD. I would think we would be prepared to pick one or the other by the time of the markup.

Chairman ROSTENKOWSKI. Does that mean by Saturday?

Mr. WOODWARD. If that is when the markup is to be, we will try to accommodate the committee.

Chairman **Rostenkowski**. It may be early next week.

Mr. **Woodward**. I am aware of no reason that—I think we would be prepared to pick one or the other. I think the committee may. I am not sure that we have a strong preference between the two.

Chairman **Rostenkowski**. Once again, I encourage you to be more specific. Let me ask you one more question, Mr. Woodward. Have any alternatives to the suggestion of an annual income tax credit been considered? For example, would it be possible to provide a one-time credit upon the purchase of a diesel-powered vehicle?

Mr. **Woodward**. It would be possible. The fact that it does not do anything for existing diesel automobile owners would be the major drawback. It would also distribute the benefits unequally. Those with higher mileage would be penalized; those with lower mileages would get greater benefits.

Chairman **Rostenkowski**. Mr. Jenkins will inquire.

Mr. **Jenkins**. Thank you, Mr. Chairman.

Thank you, Mr. Barnhart, for your testimony. On July 1 of this year the larger trucks will pay a new tax of roughly $1,600.

Mr. **Barnhart**. It is not a new tax. It is a higher level of tax.

Mr. **Jenkins**. It was previously $240, so it is basically new when you talk about going from $240 to $1,600 and ultimately to $1,900.

Mr. **Barnhart**. It is a real financial burden. There is no question about it.

Mr. **Jenkins**. So if this Congress leaves the existing law, a small trucker with six trucks will have to get up roughly $10,000 in July, is that correct?

Mr. **Barnhart**. The small trucker with five or less has a 1-year delay.

Mr. **Jenkins**. With six trucks.

Mr. **Barnhart**. He has to get that up. It can be made in four payments, of course, but it is still a great burden.

Mr. **Jenkins**. And you feel that, so long as it is revenue neutral, we could design a more equitable and easier way for the trucker to pay that revenue.

Mr. **Barnhart**. Absolutely. I applaud what this committee did, what the Congress did on raising the revenue necessary and applying those taxes to the trucks. I have never been happy with the equity or the ease of payment or the difficulty of payment that was levied on the truckers. I think we can do a much better job raising the same revenue but in a more equitable way, especially for the low mileage vehicle.

Mr. **Jenkins**. Assuming we make no changes, you indicate it will be a real burden on the trucker. What do you think will happen if we make no changes? Come the middle of the year will there be a lot of small truckers simply unable to make that tax payment?

Mr. **Barnhart**. I think you will have a great many of them go under, I certainly do. I think you will have a lot of banditry out there, of people driving and trying every way to circumvent the law. And I think that would be a needless exercise. I do not know why we should do that. I think there are more equitable ways to approach it, and I think we have proposed one.

Mr. **Jenkins**. Now, let me get to the proposals for just a moment. The only thing besides fairness that you are interested in is primarily that the bill, whatever we come up with, be revenue neutral, is that correct?

Mr. **Barnhart**. Plus not making it a complicated tax, yes, sir.

Mr. **Jenkins**. The Department is supporting the reduction from $1,600 or ultimately $1,900 down to $650, plus a diesel tax of 6 cents. Do you have figures showing me how much revenue that would bring in, that alternative, between 1984 and 1988?

Mr. **Barnhart**. Yes, sir.

Mr. **Kane**. The combined package of taxes would collect $65 billion, the same as the Surface Transportation Assistance Act.

Mr. **Jenkins**. Now, where did those figures come from, from your Department?

Mr. **Kane**. We estimated those, yes, we did, based upon the estimates the Treasury had made of the Surface Transportation Act. We then took those overall estimates and figured out how much various alternatives would raise.

Mr. **Jenkins**. Did you make revenue estimates on the bill Mr. Frenzel and I have introduced?

Mr. **Kane**. We did. We estimated it would be short by $2.2 billion over that same time period. I believe the Joint Tax Committee forwarded a letter indicating $1.8 billion shortfall; but there was a difference in assumptions about whether the tax would be continued. We made the assumption the tax would be continued past the ending date in 1988. The Joint Tax Committee made the estimate based upon the period of the law, in which case the taxes end in 1988.

Were we to have made those same similar assumptions, we feel the differences in the estimates would have been extremely close, about $100 million. The Joint Tax Committee would then have had an estimate about $2.1 billion short. I think both of us concluded there would be a serious shortfall in the revenue. I think the numbers are extremely close, somewhere between $1.8 and $2.2 billion.

Mr. **Jenkins**. Correct. Between 1984 and 1988.

Mr. **Kane**. That is correct.

Mr. **Jenkins**. Which is less than one-third the amount we have unexpended in the trust fund this year; is that correct?

Mr. **Barnhart**. That is correct.

Mr. **Jenkins**. Thank you.

Chairman **Rostenkowski**. Are there any further questions of the panel?

Mr. **Frenzel**. Mr. Chairman.

Chairman **Rostenkowski**. Mr. Frenzel will inquire.

Mr. **Frenzel**. Mr. Chairman, I would like to ask Mr. Barnhart about the administrative ease which has been claimed for the limitation.

If you do not charge a flat fee for trucks of under 55,000 but limit them, as in DOT 4, you are going to have a very severe notch problem between people who pay $650 and those who do not. There are no phase-ins. And if you go by axle weight, you are likely to have 50 to 54,000 pound trucks having heavier axle weights on the highway and not paying the $650.

How do you justify that notch?

Mr. **Barnhart**. We are intensifying our truck weight enforcement program, by the way.

Mr. **Lamm**. There is not that exact notch, Mr. Frenzel. In summarizing that report it is very hard to show everything in the proposal in the summary. The proposal actually begins at a $50 rate and goes up to $650.

Mr. **Kane**. It is $24 per 1,000 pounds, so you do not really have that cliff or notch problem at 55. It is down to $50, which is the same level you currently have at the 33,000 pounds.

Mr. **Frenzel**. But you do agree that you cannot pay a fee or at least the annual fee and still run fairly heavy axles.

Mr. **Kane**. That is true, but in DOT 4 when you impose the 6-cent diesel fee, we have calculated that vehicles between 33 and 55,000 pounds will match what they paid under the current law heavy vehicle use tax, and in fact, exceed it slightly. So that our proposal is not at all undercharging these vehicles.

Mr. **Frenzel**. I think we understand the basis of your proposal. You are trying to replicate that for a certain number of miles, and you did a good job on that. But from my standpoint, you did not do much to equity, and you left too big an annual notch for the maximum weight truck which is going to get it both ways, both in miles and in the annual fee.

Mr. Chairman, I yield the balance of my time.

Chairman **Rostenkowski**. Mr. Moore will inquire.

Mr. **Moore**. Thank you, Mr. Chairman.

To the representative of Treasury. You are assuring us now that we will not have a situation where taxpayers who own automobiles will not be able to get back the additional diesel fuel tax they pay?

Mr. **Woodward**. They will have the ability to get back the additional tax. They will have to file income tax returns in most cases to do so.

Mr. **Moore**. And how are they going to be able to substantiate? You normally do so by mileage deductions which show how many gallons of gas that you bought, which means recordkeeping by that owner to show how many gallons of diesel fuel he purchased.

Mr. **Woodward**. One alternative, particularly the first method, which involves a standard credit allowance, would avoid any recordkeeping on behalf of the diesel vehicle operator. It would allow him a standard deduction.

Mr. **Moore**. But those things can always be used to play games. Those are always understated for the benefit of the Treasury. They are on mileage allowances and everything else, and the taxpayer gets screwed on those tables every single time. You know it, and I know it. So let us get down to what you are going to accept as evidence from individual automobile owners so that they will be able to get back their money.

Mr. **Woodward**. Certainly in the case of anyone who purchases gasoline with a credit card, those records would be readily available. Anyone who pays cash would be able to retain his receipts, typically showing the gallons of diesel fuel pumped, and I would think that sort of recordkeeping would be much less burdensome than keeping sales tax receipts.

Mr. **Moore**. Every CPA would tell you, you would do better keeping your sales receipts than using the standard tables because they are skewed in favor of the IRS. We are on to these games. Let us not try to fool the American people about how this works. This is one way we raise money.

Mr. Barnhart, I am very concerned. I understand your statement about the thing not being perfect. However, I am very concerned about present law, and your table showing the overpayment and underpayment ratios that still exist between light vehicles and heavy vehicles.

Now, when we shift from the existing heavy vehicle use tax to a diesel differential tax, are we going to be able to correct those underpayments and overpayments, or are they going to remain the same?

Mr. BARNHART. We are not going to change that.

Mr. MOORE. Should we not?

Mr. LAMM. We have talked about four different alternatives, Mr. Moore, and most of them retain the same figures that were in the STAA. Secretary Dole said in her testimony that we did not want to go back and undertake an additional reaction out of Congress that trucks of a certain size ought to be paying more. We accepted, in effect, the compromise that came out in the 1982 STAA. We tried to replicate that compromise in the alternatives we set out.

Mr. MOORE. So it will not change under the diesel fuel tax; the percentages will remain roughly the same?

Mr. LAMM. Roughly. There is a 2 or 3 percentage point difference, but roughly in the same ballpark.

Mr. MOORE. Two or three percentage points different. Which way do they fall? Overpayments go down?

Mr. LAMM. Overpayments would go up on some trucks.

Mr. BARNHART. Up on the small trucks.

Mr. MOORE. It goes——

Mr. BARNHART. Up on the small trucks, down on the big trucks.

Mr. MOORE. Meaning the percent of overpayment on the small trucks gets higher, and the percent of underpayment on the larger trucks gets smaller?

Mr. LAMM. The percentage of underpayment also gets higher on the larger trucks. The percent of overpayment of the small vehicles goes up. The percent underpayment of the large vehicles also goes up.

Mr. MOORE. How do we do that? We are exacerbating what is already a problem.

Mr. LAMM. As I say, it is a small amount. It is one or two percentage points in most cases.

Mr. MOORE. I am skeptical of that. I think, again, we are playing footsie with the folks who are not organized and in here raising hell. Those are the pickup truck owners, and they live in my district, and I am not willing to raise the tax on them to lower the tax on anybody else.

Mr. LAMM. In order to be precise, though, in order to exactly match what came out in 1982, you might need to use a figure such as $629.30 rather than $650 or 5.896 cents per gallon.

Mr. MOORE. I am not opposed to that. Most of the taxes we pay in this country are at some set even, nicely rounded off number.

Lastly, I do have a lot of independent truckers operating across our part of the country, and I do understand that under DOT 4 the $650 use tax is down significantly from $1,900. This is a tremendous relief because most of them just do not have that kind of money to put out. Truck lines do, but independent truckers do not.

Do you have a proposal that we can study that would reduce that $650 one-time annual excise tax lower still and increase the diesel tax?

Mr. BARNHART. We can show you several options, and if you want us to run some figures, we would be delighted to do so.

Mr. MOORE. I would like to ask the chairman to leave the record open and have you submit to the committee, as part of the record of your testimony today, to scale that down to us. You have dropped down to $650. Go down for every $100 or something like that and give us an idea of how much the diesel tax would have to be raised to get the $650 lower still.

Mr. LAMM. We should point out we can do that very easily, Mr. Moore, but it influences the previous comparison you made, because it does increase the overpayment to the lighter vehicles that we talked about in the previous question.

Mr. MOORE. But show me how you can avoid doing that, coming out with odd-numbered taxes. I do not care about the tax being $450 or $350. I care about not exacerbating the cost ratios. So give me the odd-numbered tax dollars. I am very concerned about the pickup truck owners in America. And I will tell you right now, I, for one, will not raise their taxes to lower someone else's. I will not do that.

I will go along with the ratios you have already because we fought that battle in 1982, and everyone has accepted it; but I will not go along with exacerbating it.

Thank you, Mr. Chairman.

Mr. BARNHART. I would point out on the independents you have mentioned, I talked to two of the major independent organizations. One averages about 102,000 miles a year and another averages about 108,000 miles per year. The break-even point under DOT 4 and this Surface Transportation Assistance Act is about 120,000 miles, so they would in fact pay slightly less than the present act calls for, but they would be able to pay as they go.

Mr. GIBBONS. Would the gentleman yield at that point?

Mr. MOORE. I appreciate your willingness to work on this. I thank you and Mr. Barnhart and the Secretary. We have come a long way from where we were in 1982, and we appreciate that. Hopefully, we can work out something, but I am very concerned about exacerbating those percentages.

Mr. GIBBONS. The gentleman is worried about the pickup truck operator. Do not most of those pickup trucks weigh less than 10,000 pounds.

Mr. BARNHART. Yes, yes.

Mr. GIBBONS. So they would not pay any tax at all. A pickup truck would not be paying any tax.

Mr. MOORE. That may be true, but you also have a lot of flatbed trucks and whatever are used in local deliveries. And if they are not the ones causing the damages, I do not know why we raise the taxes on them.

Mr. BARNHART. There is no question that that category of vehicles from 10,000 pounds to 33,000 pounds that does not presently pay a use tax will in fact pay more because of the diesel differential which they would have to pay.

Again, I would repeat that most everywhere on the Hill it was accepted that there would be a 5-cent diesel differential, and we would add another penny to it. I cannot explain that away. It is there. That is a fact because we must be revenue neutral.

Chairman ROSTENKOWSKI. Are there any further questions?

Mr. Pease will inquire.

Mr. PEASE. Thank you, Mr. Chairman.

Mr. Barnhart, so I can be clear in my own mind about this, would there be any annual use tax at all for a vehicle weighing 50,000 pounds?

Mr. BARNHART. No, sir.

Mr. PEASE. So if the break is 55,000 pounds, it is $650 for that.

Mr. BARNHART. It is $50 at 55,000 pounds and escalates $24 per thousand up to a maximum of $650. There is a lot of misinformation and confusion about that point in the trucking industry.

Mr. PEASE. Thank you. That helps a lot.

Mr. BARNHART. I would point out, by keeping the start of our use tax at the 55,000 level, remember, we eliminate 700,000 vehicles from having to file. I think 98 percent of all of the farm trucks would be exempt. Many of the timber interests and the mineral interests and the construction interests would no longer have to pay a use tax.

Mr. PEASE. All right. If I could return for a moment to something you were discussing before with Mr. Pickle, tell me a little bit more about the holdup in Federal interstate funds going to the States. What is the problem?

Mr. BARNHART. We have criteria by which we can evaluate and judge whether a project is eligible for Federal support in the interstate construction program and in the interstate substitution projects.

The crux of the matter is there are two projects in Boston. One is the Central Artery, an elevated facility that they have decided they want to go below ground. We have had in the cost estimate for a number of years $329 million for bridge decking repairs and some interchange work. However, the estimated cost to depress that highway—what they want to do is build an eight-lane freeway underneath that existing elevated structure over a 12-year time period and then tear it down—that estimated cost is $1.7 billion. So we are short $1.4 billion.

On the third harbor crossing, which is another facility to get to the airport, that was approved by the Congress some years ago as a two-lane special purpose tunnel. We have $339 million for that in that cost estimate. However, now the State would like to have a four-lane general purpose tunnel at a cost of $958 million. So there is a $2 billion shortfall overall.

The State has alleged that those projects in the present form they advocate have in fact been included in the cost estimates in the past, and therefore were eligible for all of the funding.

It is the position of the Federal Highway Administration—and we have looked at this whole track record extensively—that neither project has been in the cost estimate in the form they advocate; therefore, it is not eligible, and we cannot administratively declare them eligible. If we could do that, we would warp the whole program across the country and destroy it. I do not believe any Federal Highway Administrator should have that prerogative. It should be determined by the Congress.

So the issue then is not with the Federal Highway Administration; it is an issue for the Congress to resolve. If the Congress says it is eligible, then obviously we would so administer the bill. I would not think it would be wise or prudent, since we have so many obligations around the country that are already eligible, and this would simply dip into the shares of every other State.

Mr. **PEASE**. What are the consequences of the failure of Congress to act?

Mr. **BARNHART**. Absolute chaos in the highway program. If this is not resolved in the next few months—I think we are already involved in all kinds of partisan politics on it—we could see a shutdown of this national program until next year. I think that would be absolutely tragic.

Mr. **LAMM**. I was going to add that Ohio has about $168 million tied up in funding authorized by Congress in the STAA, but that is not usable because of this problem.

Mr. **PEASE**. Thank you very much.

Mr. **SCHULZE**. Mr. Chairman.

Chairman **ROSTENKOWSKI**. Mr. Schulze will inquire.

Mr. **SCHULZE**. With your indulgence, I would like to ask Mr. Woodward, how much does it cost Treasury to put a line, another item on the 1040 form?

Mr. **WOODWARD**. I don't have that information, Mr. Schulze.

Mr. **SCHULZE**. How much would it cost Treasury to have a separate form?

Mr. **WOODWARD**. Again, I don't have that. I don't think we would contemplate that.

Mr. **SCHULZE**. Someone in Treasury must know. Is there someone else here from Treasury?

Mr. **WOODWARD**. I can get the information for you, and I would be happy to do so.

Mr. **SCHULZE**. If someone were to maintain accurate records on purchases of diesel fuel for their private automobile, what would you estimate that would take? Two hours a year? Three hours a year? An hour and a half? What is your guess? Four hours?

Mr. **WOODWARD**. I would think it would be less than an hour, depending on how you purchased your fuel. If you used a credit card, I would think the record-keeping would be less.

Mr. **SCHULZE**. There are a lot of people today who try not to use credit cards, to save money. I would think the average customer pays cash and doesn't ask for a receipt.

So what you're saying is, No. 1, you have to ask for a receipt which you don't now do.

Mr. **WOODWARD**. The standard credit system would avoid that. But, of course, those who have a higher amount would find it advantageous to save the receipts. There would be some burden, there's no question about that, Mr. Schulze.

Mr. **SCHULZE**. You would then ask for that receipt, which you now don't normally do, which might take an extra 30 seconds or a minute every time you get gas, once a week, or once every 10 days, or twice a week. And then you would have to take that home, and you would have to go into a file cabinet, open it up and put that receipt in there, or get a separate book and write down, such and such a date I bought gas and here is the receipt.

So let us say it is an hour a year. What does a CPA get an hour these days? Do you have any idea?

Mr. WOODWARD. I suppose it depends on how good he is and what part of the country he lives in.

Mr. SCHULZE. What do they get—$100, $200 dollars an hour?

Mr. WOODWARD. Something less than $100, I would guess, as an average.

Mr. SCHULZE. Perhaps I've been dealing with the wrong CPAs. What do you think? Eighty dollars? You tell me.

Mr. WOODWARD. You could use 100. That's fairly high.

Mr. SCHULZE. I think if we ask people to do this, we should compensate them, and I think that Treasury should be prepared to compensate them for keeping these records.

Now, what we are asking these 3½ million people to do is the Treasury's job, as well as DOT's job, and we've got to compensate them.

Now, whether it is going to be at 40 or 50 percent of the amount you have collected, I think you should probably pay interest on that amount. What do you think would be a fair interest rate? Ten or twelve percent?

Mr. WOODWARD. I see your point, Mr. Schulze. I think the recordkeeping burden is more the taxpayer's than the CPA. The CPA typically operates with the taxpayer's own records.

Mr. SCHULZE. It's going to cost more when they get their taxes done, because they give the CPA all of the stuff and he's got to go through it. So it will not only cost them their time, but additional time for the CPA.

Mr. WOODWARD. We may have some credits we could eliminate that would take this place.

Mr. SCHULZE. How about the checkoff for the presidential campaign? Would you eliminate that?

Mr. WOODWARD. I wouldn't want to comment on that one.

Mr. SCHULZE. I think they should be compensated for doing this, if we're going to do it, and it looks like the steam roller or the truck is rolling down the highway.

What do you think is a reasonable figure, because I would pick one that is higher than you would, undoubtedly.

Mr. WOODWARD. I think what you would be suggesting is erring on the side of generosity in the allowance of some standard credit.

Mr. SCHULZE. We should not take money away from taxpayers without at least giving them the amount of interest they could have received on that.

Mr. WOODWARD. The interest amount on $20 of additional taxes paid over a year's time is something that would be a negligible amount.

Mr. SCHULZE. You are saying $20. If you will give me the figures where you get $20—I'm inclined to think it could be higher than that in most instances.

At 6 cents a gallon, they would be paying more than $20 a year. But whatever it is, we are depriving them of the use of that money.

There may be some particular item that would cost $20 that that individual wanted, and he just couldn't afford to do it because you took that $20 from him.

Chairman ROSTENKOWSKI. Do you drive a diesel car, Mr. Schulze?

Mr. SCHULZE. He might have to pay $20 to have his car repaired.

Chairman ROSTENKOWSKI. Are there further questions of the panel?

Mr. CAMPBELL. Yes.

Chairman ROSTENKOWSKI. Mr. Campbell will inquire.

Mr. CAMPBELL. Mr. Chairman, thank you.

Let me discuss just a minute the small tractor. I think, Mr. Barnhart, you said a while ago that if we stay where we were, there is no question that a lot of them will go under. So we've established that we have to make a change.

I want to commend the Department for getting the report in ahead of time and being willing and ready to deal with the problem we're dealing with. I think you've done a fine job. You've made a recommendation, and you've shown you're willing to compromise and work this thing out.

However, we still don't think that that is going to help that independent or small trucker. But that's not my line of questioning I want to pursue with you.

I essentially want to discuss with you the tank trucker. I want to talk about the people hauling mileage I want to talk about the people hauling hazardous wastes. I want to talk about the problems of forcing them into an underground economy which we are so concerned about with our deficit by putting a burdensome tax on them and taxing them when they are not rolling.

I would just ask you, with the unique nature of tank trucking that we have, which is one-way hauling, would you agree they got none of the benefits of the tandem trailer. They got none of the benefits we talked about the general trucker getting under the STAA when we passed it.

Would you agree with that?

Mr. BARNHART. I think for practical purposes, the weights have remained the same for them.

Mr. LAMM. They got the benefits of the improved interstate system, Mr. Campbell, and certainly in South Carolina there was a lot more work going on last summer than there would have been without the passage of the STAA.

States with older interstate systems are seeing a lot of benefit.

Mr. CAMPBELL. But did they get the benefit of being able to pull dual trailers? Did they get any of those additional benefits?

Mr. LAMM. No, sir. We've had many discussions with the tank trailer industry.

What you are saying is correct. The extra size and weight dimensions did not apply to them.

Mr. CAMPBELL. And isn't it true in that industry, as in many industries that we have—my area raises peaches—a lot of people haul peaches independently one way, and don't have a back haul.

Isn't it true that those that are hauling—and that's a different industry, it is not a tank truck—but isn't it true that those who don't have back hauls, that those who have a one-way situation, that those in the case of tanks, either milk or hazardous wastes, that there is an extremely heavy burden placed upon them vis a vis those who are hauling both way under the existing system?

Mr. Barnhart. That's correct. And DOT gives them great release, because it reduces that up-front tax load.

Mr. Campbell. We have already talked about they have a difference, and you said, in someone's question a little earlier, that you would look at some other figures.

I'm hoping and I'm concerned under DOT that your cliff there, where you've fallen off at $650, that we have a problem there with the differential.

There are other proposals that I have seen and I am sure you have seen which deal with a different figure on the differential, that deal with a different threshold that breaks between a different level, 33 to 55, so much per thousandweight, that changes at 55, that graduates, that has a lower ceiling.

Are you amenable to pursuing that type of solution?

Mr. Barnhart. We don't like to be arbitrary and say this is it. I will tell you, frankly, where I started was a 5-cent diesel differential. I advocated that a year and a half ago when none of the trucking industry would support it.

But I had hoped we could accommodate the necessary revenue through a nickel and $500 maximum on these use taxes. It just doesn't tally out. Modern math won't reach it.

As a consequence, I have gone to accept the 6 and 650 because of the revenue needs and because of the other equity issues regarding the distribution costs between the classes of vehicles. That is why I came up with 6 and 650.

Mr. Campbell. But even with that, there's still an equity issue with that one-way haul.

Mr. Barnhart. There is a lot of injustice in life.

Mr. Campbell. I understand that. It just depends on who the injustice is aimed at.

My time is up, but I want to ask you one question. We've heard a lot of discussions about pickup trucks under 10,000 are not affected. Right?

Mr. Barnhart. They get a rebate.

Mr. Campbell. How many pickup trucks are diesel anyhow?

Mr. Barnhart. Not too many. What have we got, Tony?

Mr. Kane. About 1 million diesel trucks under 6,000 pounds and 365,000 diesel trucks between 6,000 and 10,000 pounds.

Mr. Campbell. So we're drawing a red herring across the place here.

Mr. Barnhart. All kinds of red herrings.

Mr. Campbell. All right.

Mr. Gibbons. Anyone else?

[No response.]

Mr. Gibbons. Thank you, gentlemen.

Mr. Barnhart. We thank you very much.

If anyone has any specifics they want you to run, we will run them.

Chairman Rostenkowski. Mr. Woodward, I would like to see you at 3 o'clock.

Mr. Woodward. Yes, Mr. Chairman.

Chairman ROSTENKOWSKI. The Chair calls our colleague, Mr. Bedell.

Welcome to the committee, Berkley. It's nice to see you. We always look forward to your testimony. Would you summarize your statement?

Mr. BEDELL. I have a very short statement, Mr. Chairman.

Chairman ROSTENKOWSKI. Fine. Please proceed.

Mr. BEDELL. Before I start, Mr. Ireland is unable to be here to testify. He requested me to request that his statement be entered into the record.

Chairman ROSTENKOWSKI. Without objection, so ordered.

[The prepared statement follows:]

STATEMENT OF HON. ANDY IRELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA, AND CHAIRMAN OF THE HOUSE SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND SPECIAL SMALL BUSINESS PROBLEMS

Mr. Chairman, I appreciate the opportunity to appear before you today.

Several years ago my Subcommittee conducted the only set of Congressional hearings ever held devoted solely to the problems of independent truckers. Therefore, I am very familiar with issues which affect the motor carrier industry and have been very involved in the fuel cost situation over the years to include the Interstate Commerce Commission's mandated fuel surcharge. I appear here today in support of H.R. 2124 and its companion Senate measure S. 1475.

I will address three main points—the burden of the present taxes, the possibility of a less burdensome and more equitable tax, and finally the general question of highway revenues.

Mr. Chairman, I believe that we need a well-constructed and fairly financed highway system in this country. Our original system was built as part of an overall national security and defense strategy. These highways were to be built to carry our most advanced weapons systems from missile carriers to armored tanks. The fact that throughout the nation our roads are badly deteriorating alarms me, but also puzzles me. I do not believe that large trucks are the sole blame for this deterioration. Certainly they do place some stress upon the roadway and should pay a reasonable share of the up-keep on a pay as you go basis—but this is not the whole story. We in the Congress must make it an urgent priority that our roads are built and repaired in the proper manner and that states receiving funds in fact use the funds for said purposes.

Having said that, let me address the present tax. The heavy vehicle use tax is, in my opinion, onerous and bears no relationship to actual usage. To ask an average over-the-road trucker who owns one vehicle (a traveling small business, if you will) to all of a sudden pay $1600 up front and in a few years $1900 in one lump sum without even getting behind the wheel is unfair. Why should one trucker who drives, say 7,500 miles and then becomes disabled for eleven months, pay the same amount of money out of his pocket as another trucker who drives the whole year and puts 150,000 miles on his truck? Most of the rest of our tax system, be it our federal withholding, our airline ticket tax, or whatever, is on a pay as you go basis. Why should we treat truckers differently?

H.R. 2124 would repeal the heavy vehicle use tax and replace it with a 5 cent diesel differential applied only to trucks. Thus, we would receive taxes based on actual usage. In addition, these taxes would be more affordable and would recognize the real world cash flow problems which beset our nation's truckers. Also, I would think the diesel differential could be easily administered and should make it difficult for people to fail to comply.

As for total revenue, I do not see why this bill would not be "revenue neutral". Studies have indicated that the legislation would result in just about the same amount of money being raised as the Department of Transportation expects from the current taxes. This does not even take into account the fact that there is supposedly a $9-10 billion surplus already in the Highway Trust Fund. In addition, there seems to be some question as to exactly where the $12 billion DOT gave out last year has gone.

In conclusion, may I say that I believe the nation's truckers, both the carriers and the independents, are getting a bad rap and as a result are being made financial scapegoat by the current tax system. Surely they should shoulder some of the highway system's tax burden, but in a fair and equitable manner. Beyond that, it is up to us in the Congress to determine whether these tax dollars are going and if indeed we are getting the product we need and are supposedly paying for.

I have attached to my statement a copy of a statement from Theodore Brooks, an independent trucker from Baltimore, who speaks for three independent trucking groups. If I may, I would like to just quote briefly from it and thus enlarge upon my point questioning where the highway money is going at the present time.

TRUCKERS ACTION CONFERENCE, BALTIMORE, MD., FEBRUARY 23, 1984

Mr. Chairman and Members of the House Ways and Means Committee: My name is Theodore Brooks. I am Director of Truckers Action Conference and a member and past president of the Maryland Independent Truckers and Drivers Association. I own and operate a truck; I have done so for nearly 20 years.

I am submitting this statement on behalf of the Truckers Action Conference, the Maryland Independent Truckers and Drivers Association, and the Central Pennsylvania Truckers Association. In addition to the remarks included here, we would also like to endorse the remarks being presented to the Committee by Representative Andy Ireland, Chairman of the House Subcommittee On Export Opportunities and Special Small Business Problems.

I could tell you how tough things are for truck owner-operators—and they are. I could tell you that we truckers can't really afford any more taxes—and we can't. I could tell you that some railroads use unfair tactics to encourage States to enact third structure taxes—and they do. But others have, or will, tell you about those things more effectively and with more substantive evidence than I can gather.

Instead, I'd like to talk about the highways we truckers use each day—the ones for which we are being asked to pay even more taxes in order to build and maintain them. And I'd like to tell you what some States are doing with the five cents a gallon tax that the Congress gave them under the Surface Transportation Assistance Act of 1982.

This past Monday, I drove from Baltimore to York, Pennsylvania over Interstate 83, which is one of the worst highways in this Nation. It is a continuous stretch of broken pavement, potholes, and ski-jump bridge approaches. It was a miracle that I was able to get to York without my trailer breaking in half and spilling 22 tons of hydrochloric acid all over the road. A Maryland highway crew was working near Hereford, Maryland, but they weren't repairing potholes or bridges. They were chopping down trees about 30 feet from the highway.

Pennsylvania hasn't done much about its roads as far as I can see but they have bought a lot of new signs that say "BUMP."

I don't see much improvement in Ohio roads; but they have, in the past year, changed their weight station operations from 16 hours, 5-days-a-week to 24 hours, 7-days-a-week. I realize that these stations will generate some revenue that will go toward improving Ohio's roads. But we need the improvements now. We need to see some results coming from the 5 cents a gallon tax that all motorists started paying on April 1, 1983.

The point is that it is a demonstrable fact that no matter how much money is given out, some of the States are going to have poor roads because they are going to waste the money or divert it to other uses.

If the contractors don't do their job properly and the inspectors aren't doing their job, the inevitable result is a bad road which wears out far before its time.

Incidentally, there are definite patterns of highway quality. Each State has its own highway characteristics which usually persist statewide. Oddly enough, some of the States with the heaviest taxes have the poorest highways. This fact alone frightens us truckers who are being asked to pay even higher taxes. Some State administrators have shown themselves to be capable and responsible in giving the motoring public its moneysworth in good highways by using presently available funds. Unfortunately, this group comprises only about 35 percent. I'd say the rest range from mediocre to deplorable. The trucking industry has the right to expect fair return for its tax dollars. At the present time, this is not happening in the majority of the States. This is a major reason that we oppose the weight-distance tax proposals being advanced by some.

We support H.R. 2124 because it would make the tax fairer by tying it to actual highway use. It would ease the trucker's cash flow situation by putting the tax on a pay-as-you-go basis rather than making it payable in a heavy lump sum. As we stated before, we are concerned over this higher tax. But if we must pay it, we want to get our money's worth. We don't think this will happen unless the Congress directs the Department of Transportation to establish performance standards as a condition of receiving Federal funds.

And as another consideration, at a recent Transportation Research Board workshop, I suggested that a truck is the logical vehicle to determine the quality of construction and repair. Quality of workmanship and the smoothness of the road surface are essential to long highway life.

We hope you will consider these suggestions as you deliberate H.R. 2124.

STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. **Bedell**. I thank you for this opportunity to testify before your committee.

In the 11th hour of the 97th Congress, I joined 272 of my colleagues in supporting the Surface Transportation Assistance Act because I recognized the urgent need of the Congress to address our deteriorating transportation infrastructure. I noted at the time I didn't believe the STAA was perfect and would need correction before certain provisions became effective.

Shortly thereafter, on February 15, 1983—just about a year ago—I introduced H.R. 1436, the Truckers Equity Act to address the inequities of section 513(g), the heavy vehicle use tax. In concept, I believe the Truckers Equity Act is still the direction that needs to be taken. However, after further study of several State and Federal reports and numerous discussions with members of the trucking industry, I believe some modification is justified.

In summary, H.R. 1436 would reinstate the original heavy vehicle use fee of $240 for an 80,000 gross vehicle weight truck. In place of the new excessive heavy use fee of STAA, my legislation would increase the diesel tax by 1 cent January 1984, and an additional 3 cents January 1, 1985.

H.R. 1436 would provide the highway trust fund with a simple and equitable collection system and a slight surplus of revenue according to the original revenue assumptions issued by the Joint Committee on Taxation on April 25, 1983. A copy of those projections is attached.

In light of the current revenue figures and additional study, I would hope the committee would consider legislation that contains the framework of H.R. 1436—a diesel differential along with a heavy vehicle use tax. Together, these collection procedures can provide a revenue neutral alternative with a simple and enforceable system.

Basic to any legislation must be the commitment to revenue neutrality. This neutrality must be sacred, since recent projections by the Congressional Budget Office show that outlays from the highway trust fund will exceed current revenue projections and eliminate the cash balance by 1989.

Second, the 5,000 mile and 33,000 gross weight vehicle threshold exemptions of STAA must be maintained. Although the pre-STAA heavy vehicle use fee contained a 26,000 GVS threshold, I believe the STAA 33,000 GVW threshold should be the minimum responsible level.

Raising this threshold from the pre-STAA level removes the tax from the 1 million lightest vehicles or 35 percent of those previously liable.

From a cost responsibility as well as an administrative perspective, I would urge your adoption of these exemptions. Furthermore, as a representative of rural America, these exemptions are important to the farm community. The Department of Transportation informs me that 33 percent of farm vehicles and 12 percent of vehicles used to haul farm products travel less than 5,000 miles. Together, the 5,000-mile exemption and the 33,000 threshold relieves 73 percent of farm use trucks and 41 percent of farm-hauling trucks.

Finally, I urge the committee to consider a diesel differential along with a heavy use tax. While I support some form of diesel differential, I cannot support placing the responsibility of revenue collection entirely upon diesel taxes. Whether or not we agree with the methodology used by the Department of Transportation in its cost allocation study, few people would disagree with the fact that the weight of a truck has a significant relationship to a vehicle's cost responsibility and that the heaviest of trucks have not maintained their full cost responsibility.

At first glance, a diesel differential appears to return the truck taxes to an equitable use fee. The STAA existence tax, by contrast, collects fees whether the truck travels 10,000 miles or 110,000 miles. Most people would agree that a return to a tax based on usage is needed.

However, the question must be asked whether fuel consumption alone is an equitable means to tax the trucking industry. Comparison tables by vehicle class show a straight diesel tax would further shift the tax burden from the heavier trucks to the lighter trucks. Mileage figures show that many of the heaviest trucks do not consume substantially more fuel than heavy combination trucks.

In view of these comments, I would urge the committee to adopt my legislation H.R. 1436, with the following changes:

One, increase my gradual phase in diesel tax of 4 cents to an immediate diesel differential of 5 cents;

Two, raise the pre-STAA heavy vehicle use tax from $3 per thousand pounds to a two-tier heavy vehicle use tax of $4 per thousand pounds for trucks 33,000 to 55,000 pounds and $6 per thousand pounds for 55,000 to 80,000 pound vehicles;

Three, continue the STAA exemption from the heavy vehicle use tax for vehicles under 33,000 GVW and vehicles that travel less than 5,000 miles per year;

Four, provide an exemption for the increased diesel taxes for all vehicles under 10,000 GVW.

Although I have not received final projections from the Joint Committee On Taxation for these modifications to H.R. 1436, preliminary estimates suggest that these changes would place revenue for the years 1984 to 1988 within $10 million of the current projections. When I have the official revenue projections, Mr. Chairman, I would be happy to provide the committee with those figures. However, if the projection does show a revenue shortfall, I would suggest a correction of the upper tier of the heavy use fee to correct any shortfall.

Many different groups may disagree about the final alternative heavy vehicle use tax that the Congress should adopt, but there is clear agreement change is needed. While section 513(g) of the

STAA does not take effect for several months, I believe we are already facing a crisis deadline. Treasury and Transportation officials need 2 months or better of lead time to implement any change. I believe it is imperative that this committee take prompt action so that any change can be in place by July 1.

Mr. Chairman, the reason I did this is, I went back and met with my truckers. My truckers indicated that they were willing to continue the use tax as it was. They didn't feel it had to be eliminated. But they felt if there was going to be increased revenues, those increased revenues should come from a diesel tax.

That is what I did in my bill. In my opinion, certainly in view of the figures that have been given by the Department of Transportation, you should have some differential between big trucks and small trucks.

However, I do not believe it should be overly burdensome. I believe most of the taxes should be in a diesel differential, and most of all I really want to commend you for bringing this matter before your committee.

I think it is absolutely urgent that we correct this tax. We can nitpick about the details, but I think the important thing is to get a tax that is acceptable to the trucking industry that brings in similar amounts of revenue and is as fair as possible to the various segments.

Thank you, Mr. Chairman.

Chairman **Rostenkowski**. Thank you for sharing your views with us.

Are there any questions?

Mr. **Frenzel**. Mr. Chairman.

Chairman **Rostenkowski**. Mr. Frenzel will inquire.

Mr. **Frenzel**. I want to compliment the gentleman from Iowa whose bill was introduced prior to mine, and who has taken a leadership role in the problem and has presented his position, I think very forcefully, to us.

We appreciate your help in this and thank you for coming in, Berkley.

Mr. **Bedell**. Thank you, Mr. Frenzel.

Chairman **Rostenkowski**. Are there any other questions?

Thank you very much, Mr. Bedell.

Chairman **Rostenkowski**. The Chair calls another of our colleagues, Mr. Daschle.

Welcome to the committee, Tom. I look forward to your testimony to the Ways and Means Committee. It's always a pleasure to have you here.

Mr. **Daschle**. Thank you. I appreciate it.

STATEMENT OF HON. THOMAS A. DASCHLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

Mr. **Daschle**. I thank you for giving us this opportunity this morning.

We all know why we're here. The law has caused a great deal of concern. If the law isn't changed, it will mean by 1987 a 60,000 pound truck that now pays $180 in highway use tax will pay $760 in that same time period. An 80,000 pound truck will pay a bill which will rise from $230 to $1,900. For most major trucking companies, this may be an increase which can be easily borne, but for small trucking concerns, especially for those in the upper Midwest, already operating at an extremely thin profit, this may be in fact the margin that forces many of them out of business.

Even so, I could probably support this tax increase if it could be shown to be an equitable one. Unfortunately, this isn't the case.

Although the ostensible reason for these increases is to more accurately reflect a thorough allocation of costs to the users on our national road system, the fact is there is no correlation between the actual mileage these trucks drive and the tax they pay.

A 60,000 pound truck that travels 20,000 miles pays exactly the same tax as a 60,000 pound truck that travels 200,000 miles a year.

The Department of Transportation itself recognizes these inequities. In its January 1984 report to the Congress on alternatives to tax use on heavy trucks, the Department says the following:

"Specific users, however, will underpay or overpay their fair share according to their circumstances. Differences between groups and individual users within groups create considerable resentment among some of the taxpayers."

Further recognizing this inequity, the DOT further states "The only fair tax would be a weight/distance tax which, however would need further study before it could be implemented."

I agree with the DOT that a weight/distance tax, although promising, probably does need more study. However, I do not agree that until the study is completed, we should not go along with the inequities built into the present system, especially when a more equitable structure is available.

The structure I'm speaking of is a diesel differential tax as formulated in H.R. 2124 of which I am a cosponsor. H.R. 2124 calls for the imposition of an additional 5-cent-per-gallon tax on diesel fuel for trucks weighing 10,000 pounds. Simultaneously, it repeals the inequitable flat heavy vehicle use tax.

Let me state very clearly that I would accept an even higher figure if it should prove that such a move were necessary for the bill to remain virtually revenue neutral. My primary concern is, as far as possible, we relate the taxes paid by the trucking industry to the use the individual trucks make of the road system and the damage they do to it.

In the absence of a weight/distance tax, a diesel differential seems to me the only fair way that we can levy a tax.

On a more specific note, I have included testimony of Mr. Jeff Parker, the operator of a small South Dakota trucking firm and the president of the South Dakota Truckers Association. Mr. Parker's testimony indicates clearly the inequity of the current tax structure and the hardship it works on the small trucker.

As a simple matter of equity, Mr. Chairman, I urge this committee to seriously consider replacing the heavy user fee principle in current law with the diesel differential principle outlined in H.R. 2124.

That concludes my formal remarks.

[The prepared statement follows:]

STATEMENT OF HON. THOMAS A. DASCHLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

I fully understand the rationale that the Department of Transportation had in mind when it proposed such heavy increases. It did so in an attempt to correct what it perceived to be an inequity in what heavy users, such as heavy trucks, pay in relation to the purported damage they do the road system. Most of the determination of the relation between truck weight and road damage was contained in a study done by DOT, entitled Final Report on the Federal Highway Cost Allocation Study. Although this study was criticized by several industry sources as neglecting many other factors, such as weather, in making its determinations, and basing them almost entirely on weight, DOT has not, to this point, taken these criticisms into account in a reevaluation of its cost allocations. There still remains in my mind some significant doubt that this study does, in fact, accurately reflect the specific share that various sectors of the travelling public do contribute to highway deterioration.

Putting aside the caveat, however, it is still incomprehensible to me why, in the name of equity, the Administration proposed and Congress accepted, in a modified form, the drastically higher use taxes for trucks. In its own report to Congress, cited above, the DOT confirms that the "current fees do not fully measure the two principle variables: weight and distance. To measure them directly and more equitably requires a comprehensive change, specifically, a weight-distance tax."

It is apparent, then, that even the DOT, which pushed the increases in user fee taxes, realizes that the flat licensing fee on all trucks by weight class is, in effect, inequitable. It has decided however, in its own words, that although "there appear to be no insurmountable reasons why a simple weight-distance tax could not be imposed at the national level," some difficulties that do exist, namely in uniformity of state regulations and proper administrative procedures, would preclude an immediate imposition of such a tax mechanism. DOT instead states that it believes "that application of a weight-distance tax instrument at the federal level may be possible at some time in the future, depending on the results of further analysis." In addition, the report states that the current tax structure has built-in inequities: "Specific users, however, will underpay or overpay their fair share according to their individual circumstances. Differences between groups and between individual users within groups create considerable resentment among some taxpayers."

Thus, DOT fully recognizes the basic inequity in charging a flat licensing fee to trucks of a certain weight classification, regardless of the mileage travelled by those trucks. A 55,000 pound truck will pay the same tax whether it travels 20,000 miles or 200,000 miles. Obviously, this deviates tremendously from a "user fee" oriented tax structure which has been the strength of the highway financing program. The Department, while recognizing this inequity, still resists any changes, because its ideal preferred solution, the weight-distance tax, needs more study.

I appreciate the opportunity to testify before this Committee on an issue that is complicated, at times confusing, but at the same time is, above all, one whose scope is such that it demands a speedy determination.

In the closing days of the 97th Congress, during a so-called "lame duck" session, we passed, at the Administration's urging, the Surface Transportation Assistance Act. The aims behind this legislation were, as is the case in most instances, entirely praiseworthy. There was, and is, no doubt in anyone's mind that the maintenance of a national network of roads is high on the list of any set of national priorities. Further, it was, and is, also clear that the basic philosophy behind our road building and maintenance programs is a sound one; namely, that specific, earmarked revenues, collected from those who gain the most benefit from the existence of a well functioning road system should support that system. The creation of the Highway Trust Fund, and the earmarking of specific revenues to finance that fund, is a shining example of "pay as you go" budgeting at its best. It is a model which we might be well advised to follow in all our budgetary dealings.

The legislation passed in 1982 did, in my opinion, make a good faith effort to continue this "user fee" concept of taxation. However, in its attempt to allocate fairly the costs of the system, the legislation institutionalized what I consider to be a severe inequity. A comparison of the fee structure in existence before the enactment of the Surface Transportation Assistance Act, and the provisions of that act which are currently law will, I think be useful in placing this in perspective. The following summary of these changes is taken from the January 1984 Report to Congress on Alternatives to Tax on Use of Heavy Trucks prepared by the Department of Transportation: (See attachment 1)

As is apparent from even a casual observation of the differing user fee structure rates, the new rates place a much heavier emphasis on heavy vehicle user fees than the previous ones. While the new statute removed excise taxes on tread rubber, inner tubes, lubricating oil, and truck parts, as well as truck sales on trucks under 33,000 pounds, it levied additional taxes in these areas: an increase of 5 cents per gallon on gasoline; an increase of 5 cents a gallon on diesel fuel; an increase of 4 cents per gallon on gasahol; and, of most concern, a dramatic increase in the so-called "heavy vehicle" tax.

While, of course, very few people like to pay, and even fewer legislators like to enact, additional taxes, for the most part the general public, the transportation industry, and the Congress generally agreed that the great majority of these increases were warranted to provide the necessary funding to assume the continued existence of an efficient national road system. However, the one element of this new tax structure which was simply not acceptable to me, and which caused me to vote against this legislation in the 97th Congress, were the changes that were made in the Federal Highway Use tax.

I agree that the weight-distance tax, though promising, needs more study. I do not agree, however, that until that study is completed we should go along with the inequities built into the present system, especially when a more equitable structure is available. I refer here, of course, to the diesel differential structure built into H.R. 2124, of which I am a cosponsor.

If we are truly concerned with equity in a user fee concept, and must rule out for the moment a straight weight-distance tax, my strong suggestion is that we should go the next most equitable system, an increased tax on diesel fuel. The exact amount of that increase, necessary to fully fund the building and maintenance programs we have described as being in the national interest is, of course, a matter to be decided. H.R. 2124 makes the proposal that these revenues could be raised by the imposition of an additional five cents per gallon tax on diesel fuel for trucks weighing more than 10,000 pounds, and simultaneously repealing the inequitable flat heavy vehicle use tax. While there may be some arguments about the revenue raised by such a specific number, there is no doubt in my mind that the principle is a far more equitable one that a flat tax rate.

The inequities of this flat rate are pointed out very specifically in testimony delivered to the Senate Finance Committee on February 9 of this year. In that testimony, Mr. Jeff Parker, owner of a small South Dakota trucking firm and President of the South Dakota Trucking Association, clearly spells out that, under the terms of current law, his lightest truck unit will in fact pay more taxes per mile driven than his heaviest unit. I am adding Mr. Parker's testimony as an appendix to my own statement here today as a clear indication of the basic inequities of the current system.

In summation, what we have today, in the current taxes on truckers, is an inequitable system, worked out in haste in the last days of a lame-duck Congress. We have a system of taxation whose own adherents admit is inequitable, and not representative of true highway use. What I am asking this Committee today is to take a close look at the principles of equitable tax distribution spelled out in H.R. 2124, and accept the principle of a diesel differential tax as the fairest way of ensuring that the equitable distribution of user taxes, that is the history of our highway programs, be continued.

We still have the time to do so. The first step up in heavy vehicle use fees is not scheduled to take effect until July 1 of this year. Before that time, I hope that we will be able to substitute a formula that is fairer to small trucking operations, fairer to farmers and agricultural interest, and fairer to the general public as a whole. That forumla, to my mind, is in the replacement of heavy vehicle user fees with a diesel differential structure.

[Attachment 1]

TABLE V-1.—COMPARISON OF NEW AND PREVIOUS USER FEE STRUCTURES

User fee type	Previous rate	New rate
Gasoline	4 cents/gallon	9 cents/gallon.
Diesel	4 cents/gallon	9 cents/gallon.
Gasohol	0	4 cents/gallon.

TABLE V-1.—COMPARISON OF NEW AND PREVIOUS USER FEE STRUCTURES—Continued

User fee type	Previous rate	New rate
Tires	9.75 cents/pound, all tires	Tires under 40 pounds, 0; 40-70 pounds, 15 cents/pound in excess of 40; 70-90 pounds, $4,50 + 30 cents/pound in excess of 70. Over 90 pounds, $10.50 + 50 cents/pound in excess of 90.
Tread Rubber	5 cents/pound	0.
Inner Tubes	10 cents/pound	0.
Lubricating Oil	6 cents/gallon	0.
Truck Parts	8 percent at wholesale for all trucks	0
Truck Sales	10 percent at wholesale for trucks over 10,000 pounds GVW.	12 percent at retail for trucks over 33,000 pounds GVW and trailers over 26,000 pounds GVW; all tractors.
Heavy Vehicle	$3/1,000 pounds GVW for trucks over 26,000 pounds GVW.	Trucks under 33,000 pounds GVW, 0; 33,000-55,000 pounds GVW, $50 + $25/1,000 pounds in excess of 33,000; 55,000-80,000 pounds GVW, $600 + $40 [1]/1,000 pounds in excess of 55,000. Over 80,000 pounds GVW, $1,600.[2] Vehicles traveling less than 5,000 miles per year on highways are exempt from this tax.

[1] This rate rises in 4 chronological steps—$40, $44, $48, and $52.

[2] Ths rate also rises in steps—$1,600, $1,700, $1,800, and $1,900.

TESTIMONY BEFORE SENATE FINANCE COMMITTEE—S. 138 DIESEL DIFFERENTIAL LEGISLATION, FEBRUARY 9, 1984

Chairman, Honorable Senator Robert Dole, and Committee Members: I am Jeff Parker, President of Parker Transfer and Storage, Inc., Sioux Falls, South Dakota, and, President of the South Dakota Trucking Association. I am here today to support the diesel differential tax to replace the heavy user fees imposed by the Surface Transportation Assistance Act of 1982 (STAA).

My great-grandfather started in the drayage business in South Dakota in the early 1900's with horse teams and wagons. My grandfather began what is Parker Transfer in the early 1920's, so our small family business has evolved from no regulation, through regulation, to deregulation. We have grown with the pay-as-you-go philosophy of the highway system. We have always been willing to pay our fair share for highway construction and maintenance as we count these physical assets as much a part of our capital formation as our trucks and trailers. Parker Transfer is very typical of the 500 member firms which make up the South Dakota Trucking Association.

Today, Parker Transfer has four trucks and five tractor-trailers; combinations licensed for interstate transportation in a 17 state area. The five tractor-trailers are presently covered by the Federal Highway Use Tax and would be taxed under the heavy user taxes of the STAA. Please refer to the "Comparative Fuel and Highway Use Tax Computation" to see how these vehicles are taxed now and how they would be taxed by STAA. This chart indicates that our lightest unit, Number 15, pays the highest tax per mile at $.0185 per mile traveled compared to $.0105 per mile for our heaviest truck. However, under the tax structure imposed by STAA which is purported to shift the burden to the heavier trucks, my disparity is even greater with our lightest truck paying $.0759 per mile and the heaviest truck $.0275 per mile. In comparison to a heavy truck with a gross weight of 80,000 pounds traveling an average of 100,000 miles per year, the fuel and heavy use taxes would total $.0370 per mile at final stage of STAA. This is less than I will pay for my lightest two units in Parker transfer's fleet and only 14% more than my average fleet cost. While my average cost per mile moves from $.0124 to $.0345 per mile, a 162% increase, the heavy vehicle grossing 80,000 pounds will increase 81% from $.0240 to $.0370 per mile by STAA.

If the interest of Congress and the Department of Transportation was to shift the burden from the lighter to heavier vehicles, it appears we would be better off without your assistance. The only accurate measure of use is weight over distance traveled. However, the ton-mile tax that Parker Transfer pays in Wyoming is at best a nightmare of paperwork and inaccuracy. Of the trip reports I review, half are incorrectly computed. The Wyoming Department of Revenue admits a recent audit netted $10,000.00 in additional revenue to their state at a cost of $14,000.00 in audit expense.

What this all leads to is that the only feasible measure of use is the energy that passes through the unit. The greater the load on the vehicle, the greater the energy required to move the load. The fuel tax is obviously easy to collect and difficult to avoid. The only adverse effect of the fuel tax as a measure of highway use is that it would remove a raft of the Department of Treasury auditors, thereby, increasing unemployment. We have yet to see any rules or regulations from the Department of the Treasury as to how they intend to administer the STAA Heavy User Fees, yet the deadline is less than 145 days away. Perhaps they too are waiting for Congress to clean up the mess created by the STAA.

The other 499 members of the South Dakota Trucking Association and I urge Congress and the Department of Transportation to reassess their philosophical ideals of equity to users in the heavy user fees and look at the realities of the problem. It seems incomprehensible to us that Congress will not listen to our desire to pay the amount necessary to keep the highway system pay-as-you-go program and to pay the amount through as easy a mechanism for the taxpayer and the government as the fuel tax. We strongly urge you to remove the regressive heavy user fees imposed by STAA and replace them with the fuel tax or diesel differential tax as suggested here today.

COMPARATIVE FUEL AND HIGHWAY USE TAX COMPUTATION—PARKER TRANSFER & STORAGE, INC., SIOUX FALLS, S. DAK.

	1982 Tax Payments					Projected 1985 Tax Payments				
Unit Number	15	16	18	19	17	15	16	18	19	17
Licensed G.V.W	44,000	46,000	46,000	46,000	50,000	44,000	46,000	46,000	46,000	50,000
Miles Traveled	10,473	20,449	30,069	13,118	41,612	6,070	18,472	32,363	28,506	39,658
Gallons Consumed	2,599	4,484	4,333	3,065	7,162	1,506	4,051	4,663	6,660	6,826
Miles Per Gallon	4.03	4.56	6.94	4.28	5.81	4.03	4.56	6.94	4.28	5.81
Fuel Tax	103.96	179.36	173.32	122.60	286.48	135.54	364.59	419.67	599.40	614.34
Highway Use Tax	90.00	90.00	120.00	120.00	150.00	325.00	375.00	375.00	375.00	475.00
Total	193.96	269.36	293.32	242.60	436.48	460.54	739.59	794.67	974.40	1,089.34
Cost Per Mile	.0185	.0132	.0098	.0185	.0105	.0759	.0400	.0246	.0342	.0275

Chairman ROSTENKOWSKI. Thank you, Tom.

Are there any further questions.

[No response.]

Chairman ROSTENKOWSKI. Thank you for sharing your views with us today.

The Chair calls Mr. Hanushek.

Welcome to the committee, Mr. Hanushek. We are looking forward to your testimony. You may proceed.

Mr. HANUSHEK. First, I would like to introduce Dr. Richard Mudge of the Congressional Budget Office's research staff who has joined me.

STATEMENT OF ERIC A. HANUSHEK, DEPUTY DIRECTOR, CONGRESSIONAL BUDGET OFFICE, ACCOMPANIED BY DR. RICHARD MUDGE, UNIT CHIEF FOR PUBLIC INVESTMENT, NATURAL RESOURCES AND COMMERCE DIVISION

Mr. HANUSHEK. Mr. Chairman, I am pleased to appear before your committee to discuss the financial condition of the highway trust fund and the possible effects of proposed tax changes. In the Surface Transportation Act of 1982, the Congress brought about a major increase in the size of the highway program and raised taxes to place the trust fund on a sound financial footing through 1986. However, the increase in taxes—notably, a 5-cent increase in the previous 4-cent tax per gallon of motor fuel—did not fully offset the larger authorizations.

By 1987, outlays by the highway account will exceed receipts by $1.8 billion, and the fund's existing cash balance will be virtually eliminated by 1989. These are graphically shown in the first figure in my testimony, where the bottom line shows the decrease in cash balances as the projection goes out through 1989. Thus, further revenue or spending changes appear to be necessary.

The mass transit account, by contrast, will accumulate a substantial surplus, largely as a result of interest earned on its cash balances, its revenues from its one penny of the motor fuel tax exceed outlays. This is shown in figure 2.

In response to the prospect of a shortfall in the highway account, the Congress could consider five options: an increase in the motor fuel tax, an increase in taxes on heavy trucks, a reduction in certain existing tax exemptions, a transfer of funds from the mass transit account, or a reduction in authorizations.

Three general principles insure the financial soundness of the trust fund. First, cash on hand must be adequate to cover the expected outlays during any given year. Second, the cash on hand plus expected future receipts must cover promised spending or authorizations. Third, and most important, outlays and receipts must balance in the long term.

The most important financial control for the highway account is contained in the Byrd amendment, which has been in effect since the establishment of the highway trust fund in 1956. The Byrd amendment focuses on unfunded authorizations—that is, total unpaid authorizations less any cash on hand. This provision forces an automatic reduction in funds available to the States if the unfunded authorizations exceed expected revenues over the remaining life of the fund. At present, the taxes that support the highway account continue through 1988, while 1986 is the last year of authorization. Thus, current policy implies that unfunded authorizations should not exceed 2 years' worth of revenues.

Highway users finance the Federal highway program according to the accepted principle that the system's users, rather than the general taxpayers, should support its construction and repair. The 1982 act established four Federal highway taxes: the 9 cent per gallon tax on motor fuel, a 12 percent sales tax on new trucks over 33,000 pounds gross weight and trailers over 26,000 pounds, a graduated tax on truck tires, and a heavy vehicle use tax. Receipts from the fuel tax total almost 80 percent of the $11.6 billion expected to be raised in 1985 for highways. Receipts from the sales and use tax both exceed $1 billion and account for most of the trust fund's remaining income. The heavy vehicle use tax was increased dramatically from the $240 per truck maximum that prevailed for 20 years to a maximum of $1,900 per year for the heaviest class of trucks. This increase is being phased in over 4 years, with the biggest increase to $1,600 scheduled to take effect this July. The 1982 act, I should note, also provided economic benefits to some truckers by permitting the use of wider and longer trucks on major intercity routes.

The 1982 legislation raised receipts for the highway program by $4.9 billion a year. When interest on the cash balance is added, annual receipts should total about $12.6 billion. At the same time, however, annual authorizations were increased to $14.9 billion in 1985—about $2.3 billion more than annual receipts. Clearly, such a gap cannot be sustained for long. Indeed, the trust fund can finance the authorizations made in the 1982 act, but only because of the cushion provided by the $9 billion in cash built up from prior years, and because of the normal lag between authorizations and outlays. Thus, under current policy, the criterion of unpaid authorizations not 2 two years' worth of revenues is projected to be violated in 1988.

The exact details are provided in table 1 at the back of my statement.

Though these projections are subject to the usual uncertainties in predicting tax receipts, outlays, and interest rates, the need for action to restore balance to the highway account seems clear. If tax changes were enacted to become effective in 1987, an annual increase of about $2 billion would suffice—assuming, of course, continuation of the current levels of authorization after 1986. Of course, any increase in authorizations above current levels or an expansion of current tax exemptions would require an even larger tax or an immediate one. On the other hand, if total authorizations were to drop in 1991 when the interstate system is scheduled to be completed, the prospect of reduced spending would permit a smaller tax increase.

Of the five options mentioned earlier, four were tax changes. An additional 2 cents per gallon tax on motor fuel by itself would suffice to cover the shortfalls. Alternatively, higher taxes on heavy trucks, reduced tax exemptions on gasohol, buses, and taxis, and State and local government vehicles—exclusions now estimated to be worth more than $700 billion per year—and use of surplus funds from the mass transit account, estimated at about $400 million a year, could be used.

Taking the opposite approach, however, spending could be decreased now, perhaps by concentrating construction funds at critical gaps in the Interstate System and by delaying work at other routes until after 1990. This could roughly halve the current $4 billion spent each year on interstate construction.

In addition to increasing highway revenues, the 1982 legislation imposed a significant realinement of truck taxes. These were adjusted to shift part of the highway cost burden from light trucks, to heavy trucks. The change in truck taxes followed in response to a DOT study, which found that, while passenger cars paid roughly their share of Federal highway costs, operators of single-unit trucks—delivery trucks, dump trucks, and the like—paid nearly twice their share, and the heaviest group of trucks—the familiar tractor-trailers—paid only 59 percent of their associated costs.

While the 1982 act made improvements, some imbalances clearly remain: cars overpay by about 6 percent; pickups and vans by 18 percent, and single-unit trucks by 14 percent, while combination trucks underpay by 20 percent. Indeed, the heaviest class of trucks—those with gross weights exceeding 75,000 pounds—pay on average about two-thirds of their share of the costs.

After the major increase in the heavy vehicle use tax scheduled for this July, the heaviest class of trucks will be paying about $1.2 billion on Federal highway taxes. But this is some $600 million less than the trucks' share of costs. The difference takes the form of a subsidy from other highway users which is neither equitable nor efficient. Though small in the context of the $100 billion spent each year on intercity truck freight movement, the $600 million subsidy does not encourage the most effective use of the Nation's highways and gives the trucking industry an advantage over its competitors—primarily railheads

The heavy vehicle use tax is, at best, an approximate mechanism for matching taxes with cost responsibility and indeed this is what has been discussed this morning. It is graduated by vehicle size, and the use tax will range in 1985 from $50 per year for 33,000-pound trucks to $1,600 for trucks of 80,000 pounds gross weight. It does not vary with distance, however. Thus, most trucks that travel less than 40,000 miles a year—as about one-fourth of the heaviest class of trucks do—will pay more than their allocated share of highway costs. On the other hand, the roughly one-fourth of heavy trucks that travel more than 100,000 miles each year will enjoy a bargain, since their highway tax payments will cover less than one-half of their share of costs. Similar inequities are associated with the sales tax on new trucks, since vehicles that are used intensively will cause more wear and tear than they pay to fix.

Several tax proposals before the Congress would reduce or eliminate the heavy vehicle use tax. Under these plans, the revenues lost would be replaced fully or in part by a higher tax on diesel fuel imposed only on trucks. None of these proposals, however, addresses the longer term need to restore the balance between revenues and outlays. Further, none improves the equity among vehicle classes.

The most prominent proposal, H.R. 2124, would eliminate the heavy vehicle use tax and increase the current 9-cent Federal tax per gallon of diesel fuel by 5 cents. Vehicles weighing less than 10,000 pounds would have access to a rebate through their regular income tax filing. On balance, DOT estimates that tax receipts would decline by about $2 billion over the next 4 years. As shown in figure 3, this change from current policy would generate a $3 billion deficit in the highway account for 1989—these are also detailed in table 2, which is attached.

Unfunded authorization would exceed 2 years of revenues in 1987. The revenue could, of course, be raised through a still higher diesel differential tax of perhaps 7.5 cents per gallon. H.R. 2124 would move heavy trucks and passenger vehicles further away from their cost-based share of Federal highway taxes. Combination trucks of 75,000 pounds would pay only 58 percent of their share of costs, in contrast to the current 66 percent and the 59 percent of costs based on the 1982 taxes—these are detailed in table 3.

The Department of Transportation has proposed several options, including a 6-cent-per-gallon diesel tax for trucks over 10,000 pounds, along with a greatly reduced heavy vehicle use tax. The use tax would be imposed only on vehicles over 55,000 pounds, which would eliminate it for some 750,000 medium-weight trucks. For trucks paying the tax, the maximum charge would be reduced to $650 per vehicle. This proposal would have very little effect on total receipts, and it would effect virtually no change in the cost recovery ratios set by the 1982 Act. As with H.R. 2124, it would create an administrative burden to rebate taxes paid by vehicles weighing less than 10,000 pounds. Owners of some 3.6 million vehicles could be expected to file for a rebate on their Federal income taxes.

The heavy vehicle use tax could be modified to reflect better the costs imposed by different users. For example, the mileage threshold for the heavy vehicle use tax would be raised from the present 5,000 miles to perhaps 15,000 or 20,000 miles per year, insuring that few trucks would actually overpay. The use tax could then be graduated with higher rates for those trucks driven the most. Heavily used trucks, such as those driven more than 100,000 miles per year, would end up with a higher use tax than under current law.

The closest coordination of the costs of highway wear and tear to tax receipts, of course, would be achieved by a weight/distance tax. Under such a scheme, the tax would vary according to the weight of the truck and the distance it travels. Ten States already have some form of weight/distance tax. The State of Oregon, for example, has collected a weight/distance tax for more than 30 years. In the long run, such a tax might be the simplest choice, since only two taxes would be required—a motor fuel tax and a weight/distance tax. Thus, it could permit ending the sales tax on trucks. Solving the administrative problems required to implement such a plan would, of course, require considerable advance planning.

In conclusion, the pending shortfall in the highway account is clearly the most important problem affecting the trust fund since the passage of the 1982 act. Though this problem could be deferred until the next major highway authorization—presumably in 1986—at some point the Congress will face a difficult choice between higher taxes or a smaller highway program. The truck tax options currently before Congress do not address this problem. In fact, some would increase the current imbalance between spending and receipts.

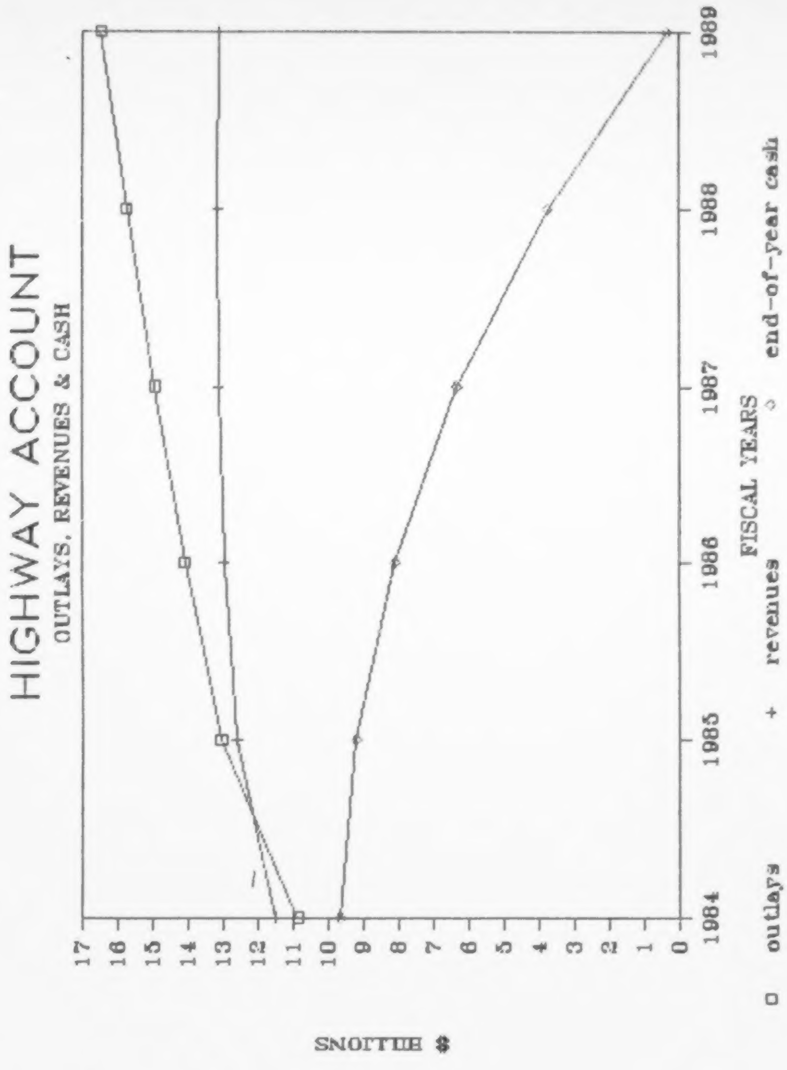
[The prepared statement follows:]

STATEMENT OF ERIC A. HANUSHEK, DEPUTY DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mr. Chairman, I am pleased to appear before your Committee to discuss the financial condition of the Highway Trust Fund and the possible effects of proposed tax changes. In the Surface Transportation Assistance Act of 1982, the Congress brought about a major increase in the size of the federal highway program, and raised taxes to place the trust fund on a sound financial footing through 1986. However, the increase in taxes—notably, a 5 cent increase in the previous 4 cent tax per gallon of motor fuel—did not fully offset the larger authorizations.

By 1987, outlays from the Highway Account will exceed receipts by $1.8 billion, and the fund's existing cash balance will be virtually eliminated by 1989 (see Figure 1). Thus, further revenue of spending changes appear necessary. The Mass Transit Account, by contrast, will accumulate a substantial surplus, largely as a result of interest earned on its cash balance as revenues from its one penny of the motor fuel tax exceed outlays (see Figure 2).

FIGURE 1


HIGHWAY ACCOUNT
OUTLAYS, REVENUES & CASH
$ BILLIONS
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
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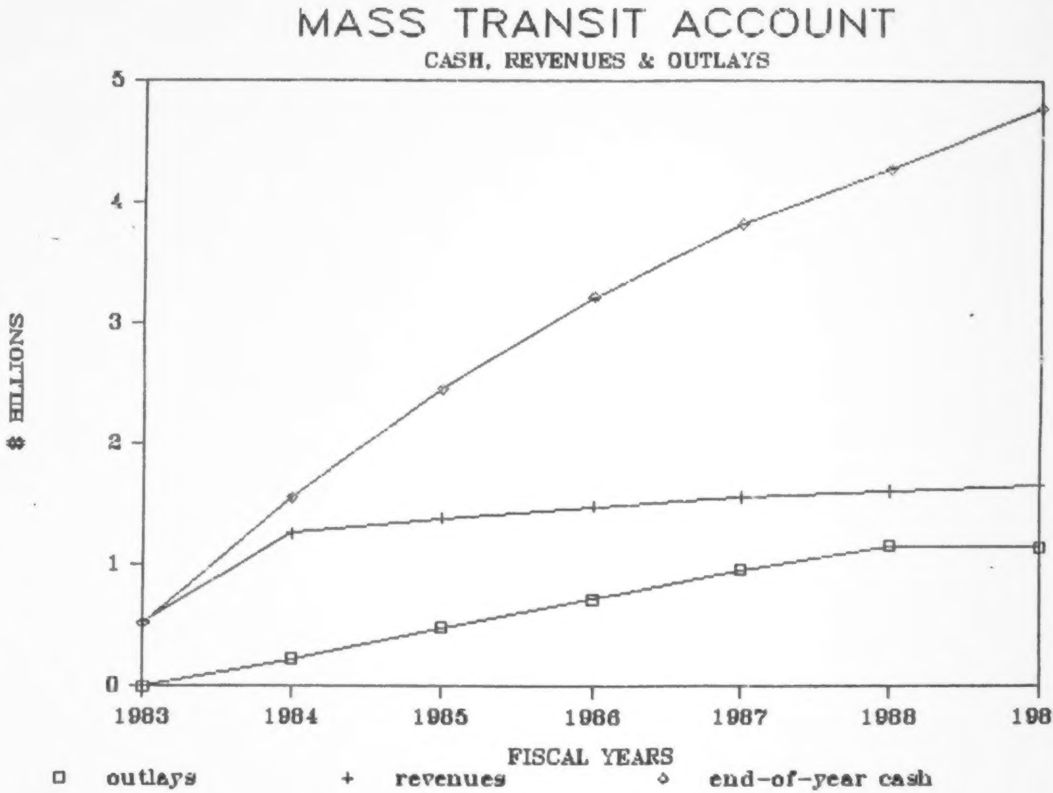
1984
1985
1986
1987
1988
1989
FISCAL YEARS
□ outlays
+ revenues
◇ end-of-year cash

FIGURE 2


MASS TRANSIT ACCOUNT
CASH, REVENUES & OUTLAYS
$ BILLIONS
0
1
2
3
4
5
1983
1984
1985
1986
1987
1988
1989
FISCAL YEARS
□ outlays
+ revenues
◇ end-of-year cash

In response to the prospect of a shortfall in the Highway Account, the Congress could consider five options: An increase in the motor fuel tax; an increase in taxes on heavy trucks; a reduction in certain existing tax exemptions; a transfer of funds from the Mass Transit Account; or a reduction in authorizations.

GENERAL PRINCIPLES OF TRUST FUND FINANCING AS THEY BEAR ON THE HIGHWAY TRUST FUND

Three general principles ensure the financial soundness of a trust fund. First, cash on hand must be adequate to cover expected outlays during any given year. Second, the cash on hand plus expected future receipts must together cover promised spending (authorizations). And third, and most important, outlays and receipts must balance in the long term.

The most important financial control for the Highway Account is contained in the Byrd Amendment, which has been in effect since establishment of the Highway Trust Fund in 1956. The Byrd Amendment focuses on unfunded authorizations—that is, total unpaid authorizations less any cash on hand. This provision forces an automatic reduction in funds available to the states if the unfunded authorizations exceed expected revenues over the remaining life of the fund. At present, the taxes that support the Highway Account continue through 1988, while 1986 is the last year of authorization. Thus, current policy implies that unfunded authorizations should not exceed two years' worth of revenues.

The Highway Account

Highway users finance the federal highway program according to the accepted principle that the system's users—rather than the general taxpayer—should support its construction and repair. The 1982 act established four federal highway taxes: the 9 cent per gallon tax on motor fuel, a 12 percent sales tax on new trucks over 33,000 pounds gross weight and trailers over 26,000 pounds, a graduated tax on truck tires, and a heavy-vehicle use tax. Receipts from the fuel tax total almost 80 percent of the $11.6 billion expected to be raised in 1985 for highways. Receipts from the sales and use taxes both exceed $1 billion and account for most of the trust fund's remaining income. The heavy-vehicle use tax was increased dramatically, from the $240 per truck maximum that prevailed for 20 years to a maximum of $1,900 per year for the heaviest class of truck. This increase is being phased in over four years with the biggest increase—to $1,600—scheduled to take effect this July. The 1982 act also provided economic benefits to some truckers by permitting the use of wider and longer trucks on major intercity routes.

The 1982 legislation raised receipts for the highway program by $4.9 billion a year. When interest on the cash balance is added, annual receipts should total about $12.6 billion. At the same time, however, annual authorizations were increased to $14.9 billion in 1985—about $2.3 billion more than annual receipts. Clearly, such a gap cannot be sustained for long. Indeed, the trust fund can finance the authorizations made in the 1982 act, but only because of the cushion provided by the $9 billion in cash built up from prior years, and because of the normal lag between authorizations and outlays. Thus under current policy, the criterion of unpaid authorizations' not exceeding two years' worth of revenues is projected to be violated in 1988 (see attached Table 1).

Though these projections are subject to the usual uncertainties in predicting tax receipts, outlays, and interest rates, the need for action to restore balance to the Highway Account seems clear. If tax changes were enacted to become effective in 1987, an annual increase of about $2 billion would suffice—assuming, of course, a continuation of the current level of authorizations after 1986. Of course, any increase in authorizations above current levels, or an expansion of current tax exemptions, would require an even larger tax or a more immediate one. On the other hand, if total authorizations were to drop in 1991 when the Interstate system is scheduled to be completed, the prospect of reduced spending would permit a smaller tax increase.

Of the five options mentioned earlier, four are tax changes: An additional 2 cents per gallon tax on motor fuel, higher taxes on heavy trucks; reduced tax exemptions for gasohol,[1] buses and taxis, and state and local government vehicles (these exclusions are now estimated to be worth more than $700 million per year); and use of surplus funds from the Mass Transit Account (estimated at about $400 million a year).

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[1] Gasohol is taxed at only 4 cents per gallon, providing a subsidy of 5 cents per gallon. Since ethanol is only 10 percent of gasohol, this translates into a 50 cent per gallon subsidy for the production of ethanol fuel.

Taking the opposite approach, however, spending could be decreased now, perhaps by concentrating construction funds on critical gaps in the Interstate system and by delaying work on other routes until after 1990. This could roughly halve the current $4 billion spent each year on Interstate construction.

PROBLEMS IN TRUCK TAXES UNDER 1982 LAW

In addition to increasing highway revenues, the 1982 legislation imposed a significant realignment of truck taxes. These were adjusted to shift part of the highway cost burden from light trucks to heavy trucks. The change in truck taxes followed in response to a DOT study, which found that, while passenger cars paid roughly their share of federal highway costs, operators of single-unit trucks (delivery trucks, dump trucks, and the like) paid nearly twice their share, and the heaviest group of trucks (the familiar tractor-trailers) paid only about 59 percent of their associated costs.[2]

While the 1982 act made improvements, some imbalances clearly remain: cars overpay by about 6 percent, pickups and vans by 18 percent, and single-unit trucks by 14 percent, while combination trucks underpay by 20 percent. The heaviest class of trucks—those with gross weights exceeding 75,000 pounds--pay, on average, about two-thirds of their share of costs.

After the major increase in the heavy vehicle use tax scheduled for this July, the heaviest class of trucks will be paying about $1.2 billion in federal highway taxes—but this is still some $600 million a year less than those trucks' share of costs. The difference takes the form of a subsidy from other highway users which is neither equitable nor efficient. Though small in the context of the $100 billion spent each year on intercity truck freight movement, the $600 million subsidy does not encourage the most effective use of the nation's highways and gives the trucking industry an advantage over its competitors—primarily railroads. In addition, the taxes on heavy trucks do not appear commensurate with the likely long-term benefits to the trucking industry from the larger and heavier trucks now permitted.

The heavy vehicle use tax is, at best, an approximate mechanism for matching taxes with cost responsibility. Graduated by vehicle size, the use tax will range in 1985 from $50 per year for 33,000 pound trucks to $1,600 for trucks of 80,000 pounds gross weight. It does not vary with distance, however. Thus, most trucks that travel less than 40,000 miles each year—as about one-fourth of the heaviest class of trucks do—will pay more than their allocated share of highway costs. On the other hand, the roughly one-fourth of heavy trucks that travel more than 100,000 miles each year will enjoy a bargain, since their highway tax payments cover less than one-half of their share of costs. Similar inequities are associated with the sales tax on new trucks, since vehicles that are used intensively will cause more wear and tear than they pay to fix.

CURRENT TRUCK TAX PROPOSALS

Several tax proposals before the Congress would reduce or eliminate the heavy vehicle use tax. Under these plans, the revenues lost would be replaced fully or in part by a higher tax on diesel fuel imposed only on trucks. None of these proposals, however, addresses the longer-term need to restore a balance between revenues and outlays. Further, none improves the equity among vehicle classes.

H.R. 2124

The most prominent proposal, H.R. 2124, would eliminate the heavy-vehicle use tax and increase the 9 cent federal tax per gallon of diesel fuel by 5 cents. Vehicles weighing less than 10,000 pounds would have assess to a rebate through their regular income tax filing. On balance, DOT estimates that tax receipts would decline by about $2 billion over the next four years. As shown in Figure 3, this change from current policy would generate a $3 billion deficit in the Highway Account for 1989 (see attached Table 2). Unfunded authorizations would exceed two years of revenues in 1987. The revenue could of course be raised through a still higher "diesel differential" tax of perhaps 7.5 cents per gallon. H.R. 2124 would move heavy trucks and passenger vehicles further away from their cost-bed share of federal highway taxes. Combination trucks over 75,000 pounds would pay only 58 percent of their share of costs, in contrast to the current 66 percent and the 59 percent of costs based on 1982 taxes (see attached Tables 3.)

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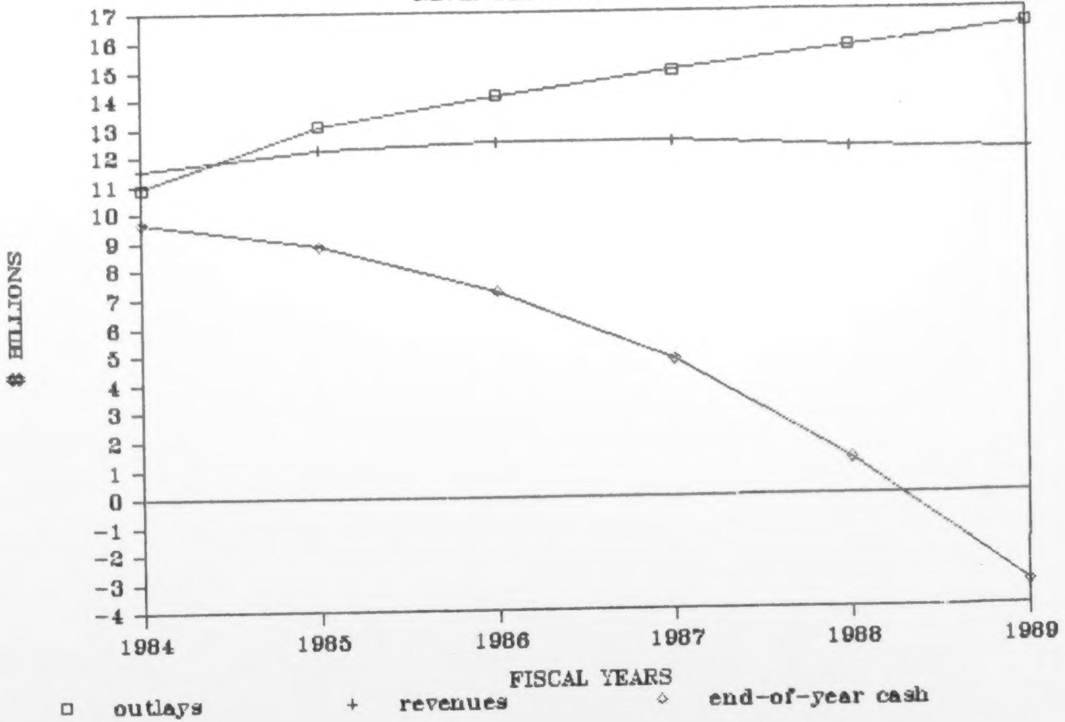
[2] See Federal Highway Administration, "Alternative to Tax on Use of Heavy Trucks," Report to Congress (January 1984).

FIGURE 3



HIGHWAY ACCOUNT

REVENUES UNDER H.R. 2124

Department of Transportation proposals

The Department of Transportation has proposed several options, including a 6 cent per gallon diesel fuel tax for trucks over 10,000 pounds, along with a greatly reduced heavy-vehicle use tax. The use tax would be imposed only on vehicles over 55,000 pounds—which would eliminate it for some 750,000 medium-weight trucks. For trucks paying the tax, the maximum charge would be reduced to $650 per vehicle. This proposal would have a very little effect on total receipts, and it would effect virtually no change in the cost-recovery ratios set by the 1982 act. As with H.R. 2124, it would create an additional administrative burden to rebate taxes paid by vehicles weighing less than 10,000 pounds. Owners of some 3.6 million vehicles could be expected to file for a rebate on their federal income taxes.

Other approaches

The heavy vehicle use tax could be modified to reflect better the costs imposed by different users. For example, the mileage threshold for the heavy-vehicle use tax could be raised from the present 5,000 miles to perhaps 15,000 or 20,000 miles per year, insuring that few trucks would actually overpay. The use tax could then be graduated with higher rates for those trucks that were driven the most. Heavily used trucks, such as those driven more than 100,000 miles a year, would end up with a higher use tax than under current law.

The closest coordination of the costs of highway wear and tear to tax receipts, of course, would be achieved by a weight/distance tax. Under such a scheme, the tax would vary according to the weight of the truck and the distance it travels. Ten states already have some form of weight/distance tax. The state of Oregon, for example, has collected a weight/distance tax for more than 30 years. In the long run, such a tax might be the simplest choice, since only two taxes would be required—a motor fuel tax and a weight/distance tax. Thus, it could permit ending the sales tax on trucks. Solving the administrative problem required to implement such a plan would, of course, require considerable advance planning.

CONCLUSION

The pending shortfall in the Highway Account is clearly the most important problem affecting the trust fund since passage of the 1982 act. Though this problem could be deferred until the next major highway authorization—presumably in 1986—at some point, the Congress will face a difficult choice between higher taxes or a smaller highway program. The truck tax options currently before the Congress do not address this problem and in fact some would increase the current imbalance between spending and receipts.

TABLE 1.--FINANCIAL PROJECTIONS FOR THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND

[In millions of dollars]

Fiscal year	Highway authorizations	Outlays [1]	Trust fund income [2]	Start-of-year cash balance	Change	End-of-year cash balance	Unfunded authorizations
1984	14,120	10,900	11,510	9,060	+610	9,670	16,710
1985	14,860	13,080	12,630	9,670	−450	9,230	18,940
1986	15,660	14,100	13,000	9,230	−1,100	8,130	21,590
1987	[3] 16,320	14,950	13,160	8,130	−1,790	6,340	24,760
1988	[3] 16,980	15,760	13,180	6,340	−2,580	3,760	28,560
1989	[3] 17,630	16,520	13,130	3,760	−3,390	360	33,060

[1] Outlays based on obligation ceilings which are less than authorizations. Level of outlays also depends on when Interstate construction funds for 1984 are released.

[2] Treasury forecast of tax receipts with CBO interest rate assumptions.

[3] CBO current policy projections.

Source: Congressional Budget Office.

Note: Totals may not add because of rounding.

TABLE 2.—FINANCIAL PROJECTIONS FOR THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND UNDER H.R. 2124

[In millions of dollars]

Fiscal year	Highway authorizations	Outlays [1]	Trust fund income [2]	Start-of-year cash balance	Change	End-of-year cash balance	Unfunded authorizations
1984	14,120	10,900	11,510	9,060	+610	9,670	16,710
1985	14,860	13,080	12,260	9,670	−820	8,850	19,310
1986	15,660	14,100	12,480	8,850	−1,620	7,240	22,490
1987	[3] 16,320	14,950	12,500	7,240	−2,450	4,790	26,310
1988	[3] 16,980	15,760	12,230	4,790	−3,540	1,250	31,070
1989	[3] 17,630	16,520	12,170	1,250	−4,350	3,100	36,520

[1] Outlays based on obligation ceilings which are less than authorizations. Level of outlays also depends on when Interstate construction funds for 1984 are released.

[2] DOT forecast of tax receipts with CBO interest rate assumptions.

[3] CBO current policy projections.

Source: Congressional Budget Office.

Note: Totals may not add because of rounding.

TABLE 3.—REVENUE-TO-COST RATIOS FOR 1985 UNDER DIFFERENT TAX SCHEMES

Vehicle class	Under pre-1982 law	Under current law	Under H.R. 2124
Passenger cars and motorcycles	0.97	1.06	1.09
Buses	0.	0	0
Pickups/vans	1.17	1.18	1.21
Single-unit trucks	1.76	1.14	1.19
Under 26,000 lbs	(1.38)	(1.12)	(1.21)
Over 26,000 lbs	(2.07)	(1.16)	(1.17)
Combination trucks	.80	.82	.74
Under 50,000 lbs	(1.21)	(0.90)	(1.02)
50–70,000 lbs	(1.22)	(1.20)	(1.07)
70–75,000 lbs	(.78)	(.84)	(.76)
Over 75,000 lbs	(.59)	(.66)	(.58)
All vehicles	1.00	1.00	1.00

Source: Congressional Budget Office from analysis by the Department of Transportation.

Notes: A number greater than 1 represents overpayments, while a lesser number shows underpayments. Numbers in parenthesis are subtotals.

Mr. **Gibbons** [presiding]. Thank you very much for your testimony. Are there questions?

Mr. Jenkins.

Mr. **Jenkins**. Thank you for your testimony, Mr. Hanushek.

You say under existing law that about one-fourth of the heaviest trucks that travel 40,000 miles per year or less pay more than their fair share of the tax burden. Is that correct?

Mr. **Hanushek**. Yes.

Mr. **Jenkins**. Then you indicate roughly one-fourth of the heaviest trucks that travel more than 100,000 miles per year pay less than their fair share?

Mr. **Hanushek**. Yes, sir.

Mr. **Jenkins**. And I'm assuming the other 50 percent either pay about what they should pay, or is that——

Mr. **Hanushek**. No, that's not quite correct. All heavy trucks as a group underpaid their correct shares. On average, they paid about 20 percent less than their fair shares.

Mr. **Jenkins**. If I understand your testimony again, you are saying that one-fourth of the heaviest trucks paid more than their fair share?

Mr. **Hanushek**. Yes.

Mr. **Jenkins**. And you are saying one-fourth of the trucks pay less than their fair share?

Mr. **Hanushek**. The trucks over 100,000 pounds gross weight pay, on average, about 50 percent less than their fair share. In other words, they're paying about half of their fair share.

Mr. **Jenkins**. Do you mean 100,000 miles or 100,000——

Mr. **Hanushek**. 100,000 miles. I'm sorry. My point is that the heaviest trucks are using the roads most intensively.

Mr. **Jenkins**. And that amounts to roughly 25 percent of the heavy trucks?

Mr. **Hanushek**. Yes, sir. And the trucks that currently travel under 40,000 miles are paying above their allocated share. The in-between group is paying somewhat less, but it is not distorted to the extreme; it is——

Mr. **Jenkins**. So, 75 percent of the heaviest trucks either pay roughly what they should be paying or——

Mr. **Hanushek**. No, I'm sorry; 25 percent are paying what they should be paying.

Mr. **Jenkins**. You say 25 percent are paying more than what they should be paying?

Mr. **Hanushek**. Slightly more. And 75 percent of the heaviest trucks driven more than 40,000 miles are paying less than their allocated share.

Mr. **Jenkins**. Your testimony simply says that most trucks that travel less than 40,000 miles per year of the heaviest class pay more than their allocated share.

Mr. **Hanushek**. It's unclear about the middle group, in the range of roughly 40,000 miles to 100,000 miles, but that group is still paying less than its allocated share of the highway cost.

It is just not to the extremes that the most intensively used trucks are paying. So that the heaviest trucks, over 40,000 miles of travel a year, are all paying less than their allocated share of the highway costs.

Mr. **Jenkins**. If they drive 50,000 miles, they are paying less than their allocated share?

Mr. **Hanushek**. If they drive 50,000? Yes.

Mr. **Mudge**. There are also certain variations within that group. It depends on what fraction of their travel time they ran fully loaded and what fraction of the time they are empty. But as a rough rule of thumb, the heaviest classes of trucks that are driven roughly 50,000 miles are paying somewhat less than their fair share.

Mr. **Jenkins**. Of the heaviest trucks, do you know what the average mileage is per year?

Mr. **Mudge**. I believe it is around 70,000 miles.

Mr. **Jenkins**. So if the average is 70,000 miles, the people who are getting the real bargain are simply those traveling more than 100,000 miles a year?

Mr. **Mudge**. That's right.

Mr. Jenkins. Which makes up less than one-fourth of the total trucks.

Mr. Hanushek. Yes, sir.

Mr. Jenkins. And you say if we are to correct any inequity, we have to go to a weight/mileage formula to really get at that inequity. Is that right?

Mr. Hanushek. On average, as you go up in mileage for these heavy trucks, the subsidy they receive, or the amount they pay less than their allocated share, increases. It goes up quite uniformly across that range. We have taken a couple of cutoffs of mileages to illustrate the magnitude of the problem at different mileages. One possible modification of the heavy vehicle use tax would be to vary the tax by the rough mileage classes to try to incorporate some of the differences in the effect of that tax on trucks driven more or less intensively.

Mr. Jenkins. But when statements are made that heavy trucks are not paying their fair share of the highway costs, we are not talking about all heavy trucks. There are at least 25 percent of the heavy trucks that are paying more than their fair share. Is that correct?

Mr. Hanushek. Yes, sir.

Mr. Jenkins. Thank you.

Chairman Rostenkowski. Mr. Gibbons will inquire.

Mr. Gibbons. Are the superheaviest paying their fair share? The ones that are grandfathered?

Mr. Hanushek. No.

Mr. Gibbons. Do any of the proposals before us help that situation?

Mr. Mudge. No, they don't. The DOT proposal, for example, would keep the fraction roughly the same as it is under current law. The superheavies would still be underpaying.

Mr. Gibbons. So could you say, as a categorical statement, that none of the grandfathered trucks pay their fair share, the ones that are overweight, over the 80,000?

Mr. Mudge. As long as they are not parked, as long as they are being driven——

Mr. Gibbons. If they are moving, they are not paying their fair share.

Mr. Mudge. As long as they are being driven more than some minimum. The minimum may be 5,000 or 10,000 miles. I suspect it's fairly low.

Mr. Gibbons. Did you all look at any proposals or think of anything we could do to get rid of that inequity in the law?

Mr. Mudge. There are probably two different things that could be done. One is the weight/distance tax, which does require some more study. Another would be to modify the heavy vehicle use tax so it is graduated beyond 80,000 pounds, as well as graduated by distance traveled.

Mr. Gibbons. That has always worried me because the engineering evidence that I have seen shows that the wear and tear of the highway goes up as the square of the weight.

Mr. Hanushek. I believe it's the fourth power of the weight?

Mr. Gibbons. Not the square, but the fourth power of the weight?

Mr. Hanushek. [Nods affirmatively.]

Mr. GIBBONS. And yet all of our proposals that we have before us or have in law now completely ignore the tremendous amount of wear and tear that these grandfathered trucks—some of them are not even grandfathered trucks, they are just grandfathered weights, because they don't apply just to the truck; they apply to some of these crazy weights we have through the United States. Nothing has been done to correct that ever, has there?

Mr. MUDGE. That is true. But if I might add, it is not just the weight of the truck that counts; it is the weight per axle.

Mr. GIBBONS. And the speed at which it crosses everything.

Well, isn't it true that most of our Interstate System was built for weights of less than 80,000 pounds?

Mr. MUDGE. I believe that is the designed weight, yes.

Mr. GIBBONS. I thought most of the Interstate System was built for weights of 73,000 pounds.

Mr. MUDGE. They were built based upon an estimate of the mix of different types of trucks. It was expected that the original Federal maximum was 73,000 pounds.

Mr. GIBBONS. So we have trucks in the superheavy range running, as I recall, up to 155,000 pounds, something like that.

Have you all ever looked at that?

Mr. MUDGE. There are a few trucks that size, yes.

Mr. GIBBONS. And they get cut off at this maximum figure.

Now, it seems to me those are the vehicles that are really putting the wear and tear on the system, and yet they are the ones that get by almost—I shouldn't say scotfree, because that is not proper—but they still get the best break of all. Is that right?

Mr. MUDGE. Of course, those are also a very small fraction of the total trucks.

Mr. GIBBONS. Yes, but as a small fraction they do the most wear and tear.

Mr. MUDGE. That's true.

Mr. GIBBONS. OK, thank you.

Chairman ROSTENKOWSKI. Are there any further questions?

[No response.]

Chairman ROSTENKOWSKI. Thank you, gentlemen.

The Chair calls Mr. Thompson of the General Accounting Office. Welcome to the committee, Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman.

I am accompanied this morning by James Bothwell, an economist with the General Accounting Office.

With your permission, I would like to have my entire statement entered into the record, and I will summarize it.

Chairman ROSTENKOWSKI. Your entire statement will be included in the record. You may summarize as you wish.

Mr. THOMPSON. Thank you.

STATEMENT OF LAWRENCE H. THOMPSON, CHIEF ECONOMIST, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JAMES BOTHWELL, ECONOMIST

Mr. THOMPSON. At the request of the Senate Committee on Finance, GAO has analyzed the likely economic effects of the Surface

Transportation Assistance Act of 1982 on different segments of the commercial trucking industry.

On the one hand, the act significantly increases Federal taxes; on the other hand, it authorizes higher expenditures for highway bridge improvements and raises existing limits on the size and weights of trucks that may be used on the Nation's highways.

Others have examined whether the aggregate productivity benefit afforded by the act will eventually outweigh the tax burden imposed on the trucking industry, and we did not examine that issue again.

Instead, we focused on how the burdens and benefits of the act will be distributed among various segments of the industry. Specifically, we made three comparisons: Between motor carriers providing primarily less-than-truckload service and those providing truckload service; between carriers serving long-haul markets and those serving short haul markets; and between owner operators and the rest of the industry.

It's very difficult to get data describing the financial condition or operational characteristics of these industry segments, and consequently we are not able to make precise estimates of the effects of the act.

However, our analysis did allow us to draw qualitative conclusions about how each of these segments will be affected.

Our analysis is summarized in our prepared statement. I will only briefly this morning mention the factors we considered, and then I will discuss the conclusions we reached.

First, we considered the pattern of increased tax burdens. As you know, the tax increases vary by type of truck owned, with the heaviest trucks experiencing the largest tax increase. Also, because of the importance of the heavy truck use tax, the additional tax per mile operated may well be less for a high mileage trucker than a low mileage trucker using similar equipment.

Owner operators tend to use their trucks more extensively than do other owners of similar vehicles. Thus, they are likely to pay more per year in increased taxes, but they may not pay more per mile.

Truckload carriers and long-haul carriers tend to operate heavier fleets than do less than truckload carriers and short-haul carriers. The tax increase is likely to be greater for truckload and long-haul carriers than for other carriers.

Next, we considered the pattern of the potential productivity increases allowed by the higher weights and larger capacities. The potential value of these changes to a given trucking firm depends upon the extent to which shipments have been constrained by the prior lower limits.

We found the higher limits were of greater potential value to the less-than-truckload carriers for essentially two reasons: First, the fraction of shipments constrained by the prior limits is greater for less-than-truckload carriers; and second, the potential increase in payload is greater if the prior constraint had been the cubic capacity constraint than if it had been the weight constraint.

Less-than-truckload carriers were far more likely to have been constrained by the prior size limits than by the prior weight limits, whereas truckload carriers were more apt to have been constrained by the prior weight limits than by the prior capacity limits.

Finally, we considered the potential impact of rail competition on the ability of different kinds of carriers to raise their rates in the event their own productivity increases did not offset their own tax increases.

Railroads are more effective in competing for long-haul truckload business and less effective in competing for short haul less-than-truckload business. Accordingly, the former will have a more difficult time than the latter if they attempt to pass cost increases forward to shippers.

The three principal results of our analysis are:

First, less-than-truckload carriers will be much better off than truckload carriers. On average, less-than-truckload carriers will pay less in increased taxes than truckload carriers, and will have the opportunity to realize greater productivity benefits through increases in the allowable cubic capacity of trucks. Furthermore, those less-than-truckload carriers experiencing cost increases as a result of the act should more easily shift them onto shippers, since they face less competition from railroads.

Second, short-haul carriers should be better off than long haul carriers. Short-haul carriers should experience smaller additional tax burdens. They also face relatively little rail competition, which will allow them to more easily pass any tax related cost increase onto shippers in the form of higher rates. Insufficient data exist to conclude how the benefits of the size and weight changes will be distributed between short and long-haul carriers, but the long-haul carriers should receive greater benefits from highway and bridge improvements. Nonetheless, based on the information available, we believe that, on balance, short-haul carriers will be better off than long-haul carriers.

Third, and finally, owner operators will be worse off than the rest of the industry. Owner operators appear to be concentrated in the long haul and truckload segments of the commercial trucking industry, as with other truckload carriers. Most owner operators will have little opportunity to realize productivity increases from the act's size and weight provisions. Compared with the rest of the industry, owner operators will also experience larger tax increases because they use proportionately more heavy trucks. Typically, owner operators also drive more miles per year than the average heavy truck owner. As a result, their tax increase per truck will be relatively higher than the tax increases per truck experienced by other heavy truckowners, although their additional tax burden per mile will not necessarily be any larger.

As with other long-haul carriers, they face greater competition from railroads than do short-haul carriers. Thus, they will have less ability to recoup any tax-related cost increase through higher rates without losing business to rail.

Owner operators should receive relatively greater benefits from highway and bridge improvements made possible by the act, since they are primarily long-haul carriers, but on balance, we believe that owner operators will be worse off than the rest of the industry.

Since we have not attempted to quantify the benefits introduced by the act, we can't say whether the tax increases experienced by the average owner operator will be greater than or less than the increase in productivity benefits.

Mr. Chairman, that concludes my statement, and if there are any questions I will be happy to answer them now.

Mr. Gibbons. Any questions of the General Accounting Office? If not, thank you, sir.

[The prepared statement follows:]

Statement of Lawrence H. Thompson, Chief Economist, U.S. General Accounting Office

Mr. Chairman and Members of the Committee: I am pleased to be here today to discuss with you the results of our work concerning the Surface Transportation Assistance Act of 1982. In response to a request by the Senate Committee on Finance, we have analyzed the likely economic effects of this act on different segments of the commercial trucking industry. A draft of our report has been reviewed by the Department of Transportation, the Department of the Treasury, and the Interstate Commerce Commission. We are currently processing our final report and will be releasing it shortly.

OBJECTIVE, SCOPE, AND METHODOLOGY

To determine how the act will affect various segments of the commercial trucking industry, we had to consider both the positive and negative economic effects of the act. On one hand, the act significantly increases federal taxes on the tires, fuel, and equipment used to produce trucking services. On the other hand, the act also authorizes significantly higher expenditures for highway and bridge improvements and raises existing limits on the size and weight of trucks that may be used on many of the Nation's highways. Thus, the act could be beneficial to much of the industry as trucking firms reap productivity increases made possible by these provisions.

While others have attempted to determine whether the aggregate productivity benefit afforded by the act will eventually outweigh the aggregate tax burden imposed on the trucking industry, we focused our analysis on determining how the burdens and benefits of the act will be distributed among various segments of the industry. Specifically, we made three distinctions:

Between motor carriers providing primarily less-than-truckload (LTL) service and those providing truckload (TL) service;

Between carriers primarily serving long-haul markets (i.e., generally interstate shipments over 200 miles) and those serving short-haul markets; and

Between owner-operators and the rest of the industry.

Very little comparative information exists about the financial condition or operational characteristics of these industry segments. Although these data limitations prevented us from making precise estimates of the effects of the act, our analysis did allow us to draw qualitative conclusions about how each of these segments will be affected.

ECONOMIC EFFECTS OF THE ACT WILL VARY GREATLY

How a particular motor carrier will be affected financially by the act depends on three critical factors:

The impact of higher federal highway taxes on that carrier's operating costs;

The ability of that carrier to increase productivity either from the use of larger capacity trucks or from the use of improved roads and bridges; and

The carrier's ability to raise rates.

Differences in these three factors will cause the act to have significantly different economic effects on motor carriers operating in various segments of the industry.

ADDITIONAL TAX BURDENS

In accordance with congressional intent to have heavy truck owners pay a larger share of highway costs, the size of the additional tax burdens imposed by the act will vary directly with the gross vehicle weight (GVW) of trucks.[1] The estimated tax increases in table 1, for example, are calculated using Department of Transportation (DOT) projections of 1985 tax revenues, truck populations, and average annual mileage.[2] They show that owners of light trucks (those with a gross vehicle weight of less than 33,000 pounds) will experience relatively small tax increases; in some cases, taxes will not increase at all. These light trucks should account for approximately 36 percent of all commercial trucks in 1985.[3] In contrast, owners of very heavy vehicles (those with a gross vehicle weight of 70,000 pounds or more) will experience tax increases averaging from $1,506 to $1,742 per truck and from 2.40 cents to 2.56 cents per mile in 1985. These very heavy trucks should account for approximately 33 percent of all commercial trucks in 1985.

TABLE 1.—ESTIMATED INCREASES IN ANNUAL FEDERAL HIGHWAY TAXES IN 1985 [1]

	Tax increase for each truck owned (dollars)	Tax increase for each mile driven (cents)	Percentage tax increase
Type of Truck:			
Single unit under 26,000 lbs. GVW	13	0.11	10.4
Single unit over 26,000 lbs. GVW	0	0	0
Combination unit under 50,000 lbs. GVW	279	.91	37.4
Combination unit between 50–70,000 lbs. GVW	960	2.99	80.5
Combination unit between 70–75,000 lbs. GVW	1,506	2.40	96.8
Combination unit over 75,000 lbs. GVW	1,742	2.56	102.5

[1] GAO calculated these estimates on the basis of DOT's estimates of average annual mileage in 1977, projected truck populations in 1985, and estimated increases in 1985 tax revenues resulting from the act. These estimates implicitly assume that all changes in the Federal highway excise taxes on such items as fuel, tires, and new equipment are fully passed on to truck owners. Although 1985 is the first full year an increased heavy vehicle use tax is in effect, it continues to increase from 1986 to 1988 for owners of vehicles with a GVW over 55,000 pounds. Any revisions to the projections of 1985 tax revenues or truck populations will cause these estiamtes to change.

Source: DOT, "Information on New User Fees and Truck Size and Weight Provisions in the Surface Transportation Assistance Act of 1982," and Final Report on the Federal Highway Cost Allocation Study.

Since the size of the additional tax burdens imposed by the act vary by truck weight, they will also vary across different segments of the industry. Truckload carriers transport large shipments weighing over 10,000 pounds directly between shippers and receivers. Because they use heavy trucks to haul large loads, motor carriers providing mostly truckload service will generally experience relatively large tax increases as a result of the act. This is particularly so for those truckload carriers specializing in hauling high density, heavy commodities like steel, automobiles, and petroleum. Less-than-truckload carriers consolidate, transport, and distribute mostly small shipments from numerous individual shippers. In contrast to truckload carriers, less-than-truckload carriers use both light and heavy trucks. The tax burdens imposed on less-than-truckload carriers will thus vary to a greater extent, depending on the weight composition of a particular carrier's fleet. On average, however, the tax increase per truck experienced by a less-than-truckload carrier should be less than that for a truckload carrier.

Heavy trucks are far more likely to be used in interstate carriage than in local carriage. As a result, those motor carriers serving long-haul markets should experience greater tax burdens than carriers serving short-haul markets.

Owner-operators typically use very heavy trucks intensively, often driving over 100,000 miles each year. Therefore, they also face relatively large tax increases. Others have estimated the size of their additional 1985 tax burdens to be from

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[1] Gross vehicle weight refers to the weight of the empty truck plus the maximum weight to be carried.

[2] Strictly speaking, these are estimates of net tax increases since the act repeals the highway use tax for trucks with a GVW between 26,000 and 33,000 pounds and some of the more minor federal highway taxes. Furthermore these estimates are based on information concerning the average operating characteristics of truck owners in various weight categories. Estimates of the additional tax burdens for so-called "typical" truck owners could be either higher or lower depending on the operating characteristics assumed. While tax burdens on typical truck owners could be higher, they should still vary directly with vehicle weight.

[3] Table 2 of the appendix contains estimates of 1985 commercial truck populations by weight category and type of carrier. The weight distribution of the total 1985 commercial truck population is illustrated in table 3 of the appendix.

$1,977 to as much as $3,315 per truck.[4] These estimates suggest that owner-operators of very heavy vehicles will experience tax increases per truck that are from 14-to-90 percent greater than the estimate of $1,742 appearing in table 1. On a per mile basis, however, the estimated tax increases for owner-operators range from 1.98 cents to 2.65 cents, which are not significantly different from (and some are actually lower than) the estimate of 2.56 cents per mile appearing in table 1. Thus, owner-operators may pay more per truck per year than other heavy vehicle owners because they typically drive many more miles each year than average. They could actually pay less per mile traveled, however, because the heavy vehicle use tax is a fixed cost which, on a per-mile basis, declines as annual mileage driven increases.

PRODUCTIVITY EFFECTS

In addition to increasing some tax burdens, the act will also increase productivity in the trucking industry for three reasons. First, the act allows motor carriers to use double trailers and longer and wider vehicles on many federally aided highways. Before the act, the sizes of some truck shipments were constrained by lower limits placed on the length and width of vehicles and by state prohibitions placed on the use of double trailers. The act increased the maximum allowable width in every state and allowed double trailers in 13 states that had previously prohibited them. Second, the act overrules lower state limits placed on the actual gross weight of trucks using the Interstate Highway System. Before the act, the sizes of some truck shipments were constrained by state weight limits which were approximately 7,000 pounds less than the federal maximum limit of 80,000 pounds. Although only three states—Arkansas, Illinois, and Missouri—maintained lower weight limits at the time the act was passed, their lower limits had a disproportionate effect on interstate shipments because of the strategic location of these states. Third, trucking firms should also benefit from faster transit times, and reduced maintenance costs, as a result of highway and bridge improvements authorized by the act.

The value of the act's size and weight provisions to motor carriers depends on the relative importance of the previously lower limits in constraining the size of their shipments. For example, motor carriers hauling mostly partial loads that were not constrained by the former size and weight limits would have comparatively little, if anything, to gain by the act raising these limits. Similarly, carriers operationg in states that already had 80,000 pound weight limits would have little to gain since the act did not affect these limits. In contrast, carriers whose shipment sizes were constrained by lower state weight limits before the act should experience relatively greater productivity increases since the higher 80,000-pound weight limit imposed by the act will allow them to carry from 15–21 percent more freight per shipment. And carriers whose shipments were mostly constrained by the former size limits should experience the greatest productivity increases, since using the larger trucks and trailers, and double trailers, permitted by the act will allow them to carry as much as 49 percent more freight per shipment in some cases.

The charts below illustrate the relative importance of the act's alterations in size and weight limits for interstate truckload and less-than-truckload carriers.[5] Among truckload shipments, 32 percent were constrained by an old 73,000-pound weight limit, whereas only 9 percent were constrained by the old cubic capacity limits. The remaining 59 percent are not affected by the changes introduced by the act either because they were constrained by an existing 80,000-pound weight limit or because they were partial loads not constrained by either a weight or for cubic capacity limit. In contrast, 44 percent of the less-than truckload shipments were constrained by the old cubic capacity limits, whereas only 8 percent were constrained by an old 73,000-pound weight limit. The remaining 48 percent are not affected by the act's size and weight changes.

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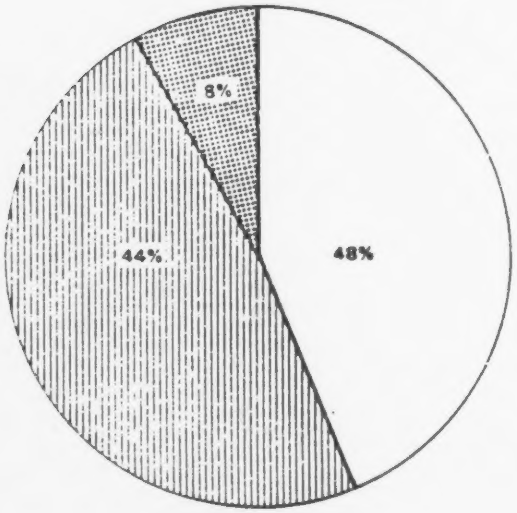
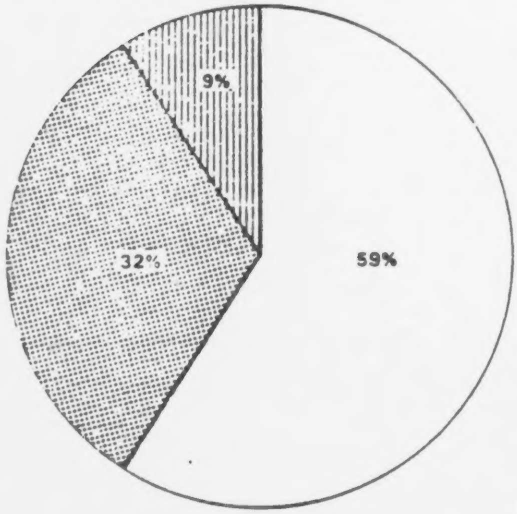
[4] These estimates, which appear in table 4 of the appendix, are from the following sources: "Independent Truckers: The Effect of Recent Legislation on Earnings," Report No. 83-27E, Mar. 1, 1983, Congressional Research Service; "The Surface Transportation Assistance Act of 1982: Carrier and Shipper Impacts," Feb. 1983, Data Resources Incorporated; "New Federal Highway Taxes and Impacts on Owner-Operators," undated draft, U.S. Department of Agriculture; and information supplied by the American Trucking Associations, Inc.

[5] The information in these charts is based on GAO calculations using DOT supplied data. The DOT data appear in two technical supplements to "An Investigation of Truck Size and Weight Limits." Specifically, we used data from technical supplement volume 1, "Analysis of Truck Payloads Under Various Limits of Size, Weight, and Configuration" (Feb. 1981), and technical supplement volume 7, part 1, "Carrier, Market, and Regional Cost and 1985 projections of size-and weight-constrained ton-miles for truckload and less-than-truckload carriers. The weight-constrained projections assumed that six states had weight limits less than 80,000 pounds. Since, in fact, only three states had lower limits before the act, we modified these estimates by applying a separate DOT projection of weight-constrained ton-miles which assumed that only three states had lower weight limits.

Less Than Truckload Shipments
(17% of Interstate Ton-Miles)



Truckload Shipments
(83% of Interstate Ton-Miles)



Type of Constraint:

▥ Shipments Constrained by Cubic Capacity of Vehicles

▩ Shipments Constrained by 73,000 Pound Weight Limit

☐ Partial Loads and Shipments Constrained by 80,000 Pound Weight Limit

Source: GAO calculations based on DOT projections of 1985 ton-miles.

Since the old cubic capacity limitation was far more important for less-than-truckload shipments than for truckload shipments (44 percent of the former were size-constrained, whereas only 9 percent of the latter were size-constrained), less-than-truckload carriers should benefit far more by using the longer, wider trucks and double trailers permitted by the act. On a regional basis, less-than-truckload carriers serving the eastern portion of the Nation stand to benefit more than other less-than-truckload carriers, because double trailers were already permitted in many western states before the act.

The old 73,000-pound state weight limits were proportionately more important for truckload shipments than for less-than-truckload shipments; 32 percent of the truckload shipments versus only 8 percent of the less-than-truckload were constrained by these lower weight limits. Thus, truckload carriers should benefit more than less-than-truckload carriers from the uniform 80,000-pound weight limit imposed by the act.

Weight-constrained carriers, however, will only be able to increase the size of their payloads by at most 15-to-21 percent as a result of the increase in the weight limit, whereas size-constrained carriers can increase their payloads by as much as 49 percent in some cases as a result of the cubic capacity changes. Thus, the size of the productivity gains achievable by truckload carriers, in general, will be smaller than those achievable by less-than-truckload carriers. Because owner-operators are primarily truckload carriers, they in particular will have less ability to increase productivity by using the larger capacity vehicles permitted by the act.

Motor carriers should also benefit from improvements in roads and bridges made possible by the act. No specific estimates of the size of these benefits have, to our knowledge, been made as yet. However, those motor carriers making greater use of federally aided roads in general, and the Interstate Highway System in particular, should benefit the most. Thus, we believe that motor carriers primarily serving long-haul markets, which includes most owner-operators, should benefit more than those serving short-haul markets. Data limitations, however, prevented us from concluding how these benefits are likely to be distributed between truckload and less-than-truckload carriers.

SOME CARRIERS WILL BE BETTER ABLE TO RAISE RATES

Because commercial trucking is a highly competitive industry which has been substantially affected by both the recent recession and regulatory reform, profit margins for some carriers have been reduced. If the act causes significant cost increases for marginally profitable trucking firms, it could force some into bankruptcy unless they are able to charge more for their services.

As trucking rates rise, however, motor carriers could lose business to railroads. Railroads compete most effectively for freight hauled by truckload, long-haul motor carriers. Thus, less-than-truckload carriers will be apt to lose less business to railroads if they raise their rates than will truckload carriers. Short-haul carriers will lose less business than long-haul carriers. Since owner-operators primarily serve longhaul, truckload markets, they are in the industry segments most likely to lose business to railroads as a result of rate increases.

Motor carriers operating in markets which have substantial amounts of excess capacity will also find it difficult to raise their rates. If the current economic recovery continues, however, the demand for trucking services in general will increase, causing the amount of excess capacity to fall. Consequently, the ability of commercial motor carriers as a group to pass tax-related cost increases on to shippers in the form of higher prices should improve. In this respect, the act gives a special advantage to small owner-operators because it defers increases in the heavy vehicle use tax by 1 year for persons who own and operate no more than five taxable trucks. Assuming the current economic recovery continues until July 1, 1985 (the date of the first use tax increase for small owner-operators) small owner-operators should be in a better position to either absorb the tax increase themselves or pass it along to their customers in the form of higher prices.

CONCLUSIONS

Each of the three factors that we have discussed—additional tax burdens, productivity benefits, and the ability to raise rates—vary significantly across different segments of the commercial trucking industry. Thus, we believe that some motor carriers will be better off than others as a result of this act. Specifically, the three principal results of our analysis are:

Less-than-truckload carriers will be much better off than truckload carriers.—On average, less-than-truckload carriers will pay less in increased taxes than truckload carriers and will have the opportunity to realize greater productivity benefits through increases in the allowable cubic capacity of trucks. Furthermore, those less-than-truckload carriers experiencing cost increases as a result of the act should more easily shift them on to shippers since they face less competition from railroads.

Short-haul carriers should be better off than long-haul carriers.—Short-haul carriers should experience smaller additional tax burdens than long-haul carriers. They also face relatively little rail competition, which will allow them to more easily pass tax-related cost increases on to shippers in the form of higher rates. Insufficient data exists to conclude how the benefits of the act's size and weight provisions will be distributed between short-and long-haul carriers, but long-haul carriers should receive greater benefits from highway and bridge improvements made possible by the act. Based on the information available, we believe that, on balance, short-haul carriers should be better off than long-haul carriers.

Owner-operators will be worse off than the rest of the industry.—Owner-operators appear to be concentrated in the long-haul and truckload segments of the commercial trucking industry. As with other truckload carriers, most owner-operators will have less opportunity to realize productivity increases from the act's size and weight provisions. Since they are primarily long-haul carriers, however, owner-operators should receive relatively greater benefits from highway and bridge improvements made possible by the act. Compared with the rest of the industry, owner-operators will also experience larger tax increases because they use proportionately more heavy trucks. Typically, owner-operators also drive many more miles each year than the average heavy truck owner. As a result, their tax increases per truck will be relatively higher than the tax increases per truck experienced by other heavy truck owners, although their additional tax burden per mile will not necessarily be any larger. As with other long-haul carriers, owner-operators face greater competition from railroads than do short-haul carriers. Thus, they will have less ability to recoup any tax-related cost increases through higher rates without losing business to rail. On balance, we believe that owner-operators will be worse off than the rest of the industry as a result of the act. Since we have not attempted to quantify the productivity benefits introduced by the act, we cannot say, however, whether the tax increase experienced by the average owner-operator will be greater than or less than the increase in productivity.

Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions you or other Committee Members may have.

APPENDIX

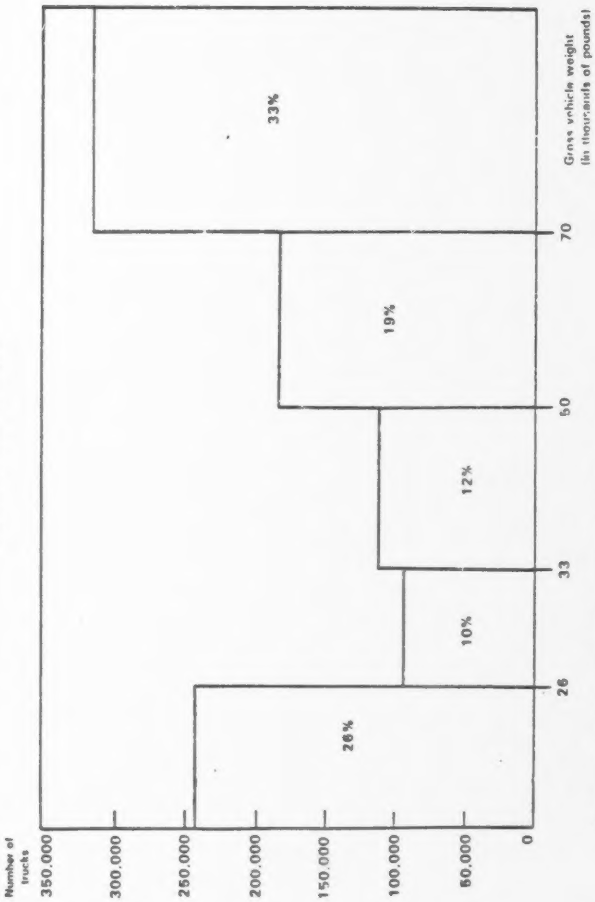
TABLE 2.—ESTIMATED 1985 COMMERCIAL TRUCK POPULATIONS BY WEIGHT CATEGORY AND TYPE OF CARRIER

Gross vehicle weight (thousand pounds)	Regulated carriers	Local carriers	Exempt carriers	Independent owner-operators[1]	Total commercial
Under 26	85,385	128,776	11,722	20,354	246,237
26–32.99	27,139	38,108	6,556	18,179	89,982
33–49.99	35,806	49,446	8,546	23,760	117,558
50–69.99	86,277	43,998	10,690	35,651	176,616
70–75.00	78,960	16,153	13,087	44,549	152,749
Over 75	72,157	23,843	17,869	44,627	158,496
Total	385,724	300,324	68,470	187,120	941,638

[1] These figures are not necessarily inclusive of all owner-operators since some may be categorized as exempt carriers.

Source: GAO calculations are based on 1985 projections of truck populations contained in the Final Report on the Federal Highway Cost Allocation Study (U.S. DOT, May 1982). The two primary data sources for these projections were the 1977 Truck Inventory and Use Survey conducted by the Bureau of the Census and the National Vehicle Population Profile for Medium-Heavy Trucks compiled by the R. L. Polk Company. The latter data source was based on state truck registrations, and was used by DOT to adjust for an apparent undersampling of heavy trucks in the Census study. DOT then used growth factors to derive their projections of 1985 truck populations. GAO disaggregated these DOT projections into six weight categories on the basis of information contained in "Transportation System Descriptors Used in Forecasting Federal Highway Revenues," a study undertaken by System Design Concepts for DOT.

Weight Distribution of Commercial Trucks



Source: GAO calculations based on DOT projections of 1985 truck populations.

TABLE 4.—ESTIMATED TAX INCREASES FOR TYPICAL OWNER-OPERATORS OF VERY HEAVY TRUCKS[1]

Source	1983	1985	1988	1990
	(Dollars per truck)			
American Trucking Associations, Incorporated	702	1,977	2,816	
Data Resources Incorporated:				
(Used truck)		2,250	2,500	
(New truck)		2,650	2,900	
Congressional Research Service	1,100			3,300
Department of Agriculture		3,315		
	(Cents per mile)			
American Trucking Associations, Incorporated	.70	1.98	2.82	
Data Resources Incorporated:				
(Used truck)		2.25	2.50	
(New truck)		2.65	2.90	
Congressional Research Service	1.10			3.30
Department of Agriculture		2.57		

[1] All the estimates are for an 80,000-pounds GVW vehicle, except for the ATA estimate which assumes a 78,000-pound GVW tractor-semitrailer. All except the Department of Agriculture's calculations, which assume the vehicle is driven an average of 129,000 miles each year, are based on the assumption that the vehicle is driven 100,000 miles each year. All increases are calculated from 1982 levels.

Mr. GIBBONS. The next witness is a panel of witnesses, the American Automobile Association, the American Association of State Highway and Transportation Officials, the Environmental Policy Institute.

Would you all come forward?

All right. Let's see, Mr. Archer, you're first.

Mr. ARCHER. Thank you, Mr. Chairman, I appreciate that.

With your permission, I will submit our full testimony for the record, and then summarize.

Mr. GIBBONS. Go right ahead. The statement of all of the witnesses will be placed in the record as it's delivered.

STATEMENT OF JOHN ARCHER, MANAGING DIRECTOR, GOVERNMENT AFFAIRS DEPARTMENT, AMERICAN AUTOMOBILE ASSOCIATION

Mr. ARCHER. AAA does not believe the use taxes on heavy trucks should be replaced by diesel differential. This is particularly true because of the large increase in the Federal heavy truck use tax was widely understood to be the tradeoff for the increased truck lengths, widths, and weights mandated by the 1982 STAA.

This is also true because, as one of the conclusions of the 513(g) study notes, the short-term options widely discussed do not solve the major equity concerns with the current tax structure. The current fees do not measure the two principle variables: Weight and distance.

To measure them more accurately requires a comprehensive change; specifically, a weight/distance tax.

Therefore, in our view, if Congress does decide to change the current tax structure, it should enact a weight/distance tax because it would be fair to all highway users, unlike a diesel differential which cannot account for the greater cost responsibility of heavier combination trucks.

For example, the Federal Highway Cost Allocation Study found that a combination vehicle over 75,000 pounds had a per-mile cost responsibility about 16 times that of an average passenger car, but consumed only three or four times more fuel. Therefore, with the current Federal fuel tax of 9 cents per gallon, this would have to pay a tax of 30 cents per gallon to meet its cost responsibility through fuel taxes alone.

We strongly agree with all of those who have said this morning that a diesel differential will penalize motorists who operate diesel-powered passenger cars or vans, even if that tax includes an exemption for vehicles under 10,000 pounds. At the very least, motorists filing for refunds under such an exemption will be faced with the burden of documenting their claims.

We are also afraid that part of any diesel differential will be ultimately paid by car and van owners, if only because paperwork requirements associated with any refund system will inevitably lead to at least some claims not being filed.

Furthermore, under a diesel differential, more people will be applying for tax refunds than will be actually paying the differential. In 1985, there will be approximately 3.6-million diesel vehicles weighing less than 10,000 pounds, and only 2.4-million diesel vehicles weighing over 10,000 pounds. Thus, the enactment of the diesel differential will intensify payment and collection problems, as well as shifting them to the motorists.

However, if Congress decides to proceed with this consideration of the diesel differential, I would like to emphasize one point. Any change in the heavy truck use tax should be entirely revenue neutral. Motorists are already paying 106 percent of their fair share. They should not be required to pay even more because the trucking industry wants to revamp its taxes.

In following, if I could add one more point on the comment you made earlier about the heaviest trucks, which was an incredibly good comment and is totally valid. There is a report by the Inspector General of the DOT that came out last July that said the damage from overweight trucks is about half a billion dollars per year on the Interstate System.

Mr. GIBBONS. Would you repeat that and get closer to the mike?

Mr. ARCHER. Yes, sir.

Subsequent to the STAA, the Inspector General for the U.S. DOT issued a report, and I have a copy I can provide to the staff. That report stated that the weight enforcement program has revealed that overweight trucking is annually causing about $562 million in increased deterioration to the highway system.

That doesn't include the other highways. That is just the interstate. The cost allocation numbers we are talking about do not contemplate this additional cost which is almost exclusively caused by the heaviest trucks.

I just wanted to add that. I appreciate the opportunity to appear today.

Mr. GIBBONS. Thank you.

[The prepared statement and material follow:]

STATEMENT OF JOHN ARCHER, MANAGING DIRECTOR, GOVERNMENT AFFAIRS DEPARTMENT, AMERICAN AUTOMOBILE ASSOCIATION

Mr. Chairman, I am John Archer, Managing Director of Government Affairs for the American Automobile Association. With me today is George Viverette, AAA Highway Transportation Director.

The American Automobile Association, serving more than 23.8 million members, appreciates this opportunity to comment on alternatives to the tax on the use of heavy trucks.

The Surface Transportation Assistance Act of 1982 was a serious attempt to equitably impose taxes commensurate with the cost responsibilities of highway users, although the original Administration bill based on the Highway Cost Allocation study would have mandated even greater tax responsibility to heavy trucks.

AAA does not believe that these newly-enacted taxes—particularly the use taxes on heavy trucks—should be changed unless compelling justification is shown, and then only after careful study of all possible alternatives. This is particularly true because the large increase in the federal heavy truck use tax was widely understood to be the political tradeoff for the increased truck lengths, widths, and weights mandated by the 1982 STAA.

It is also true because, as one of the conclusions of the 513(g) study (Report to Congress on Alternatives to Tax on Use of Heavy Trucks) states, the short-term options widely discussed as possible changes in the current tax structure:

". . . do not solve the major equity concerns with the current tax structure. The current fees do not fully measure the two principle variables: weight and distance. To measure them directly and more equitably requires a comprehensive change, specifically, a weight-distance tax.

"The principal and compelling advantage of a weight-distance tax is that it taxes directly those characteristics that should be taxed as a measure of costs imposed upon the highways by users. It is the only tax instrument that addresses precisely the trucking industry's major criticism of the heavy vehicle use tax—that is, its insensitivity to mileage variation. There appear to be no insurmountable reasons why a simple weight-distance tax could not be imposed at the national level."

Moreover, an important study regarding this issue has just been released by the AASHTO Steering Committee on Motor Carrier Taxation and Registration Issues. That recently-released AASHTO study recommends enactment of a weight-distance tax to begin in 1986 and retention of the present use tax until that time. AAA supports this basic recommendation of the study. Enactment of a weight-distance tax would be fair to all highway users, unlike a diesel differential tax which will not account adequately for the greater cost responsibility of heavy combination trucks.

We strongly believe a diesel differential will penalize motorists who operate diesel-powered passenger cars or vans even if that tax includes an exemption for diesel-powered vehicles under 10,000 pounds. At the very least motorists filing for refunds or tax credits under such an exemption will be faced with the burden of documenting their claims. We are also afraid that part of any diesel differential will be paid by car and van owners, if only because the paper work requirements associated with any refund system will inevitably lead to at least some claims not being filed.

However, if the Congress decides to proceed with consideration of a diesel differential, AAA believes that two considerations are paramount:

(1) Any diesel differential legislation should contain a tax credit for diesel-powered motor vehicles under 10,000 pounds, to protect motorists and other light-vehicle owners to the extent possible from the proposed increase in the diesel tax. This credit could be claimed on IRS Form 1040 in the section (for 1983) encompassing lines 41 through 49 entitled "Credits."

(2) Any replacement of the heavy-truck use tax with the diesel differential should be entirely revenue neutral. The trucking industry should not be allowed to use a

change in the taxing mechanism as a means of further avoiding payment of their fair share of road taxes.

A diesel differential is also inequitable to the owners of light and medium weight vehicles. The cost responsibility of the heavy diesel-powered vehicles increases substantially as weight increases, but fuel consumption per mile increases only slightly above 50,000 pounds. The state of Oregon found that while the cost responsibility of an 80,000 pound combination truck was about double that of a 50,000 pound combination, its fuel consumption was only 14 percent more. Combination trucks under 70,000 pounds, and all single unit trucks, are already paying significantly more than their cost responsibility under taxes enacted in STAA 82. Combination units over 70,000 pounds are paying significantly less, with those over 75,000 pounds paying only 66 percent of their cost responsibility. Any substitution of a diesel differential for a highway use tax only will result in a further shifting of tax payments to lighter vehicles.

The burden placed upon the IRS may not be worth the effort to enact a diesel differential. It has been estimated that by 1985 more people could be applying for tax credits or refunds than would be paying a diesel differential. In that year there will be approximately 3.6 million diesel-powered vehicles weighing less than 10,000 pounds while only 2.4 million diesel-powered vehicles will weigh more than 10,000 pounds.

We understand serious consideration is being given to embracing DOT's alternative No. 2. This option adds the pre-STAA '82 heavy truck use tax rates (maximum $240) to the 5-cent diesel differential rax rates found in H.R. 2124 or S. 1475. We believe this option is unfair because it is not revenue neutral. It represents a $700 million loss to the Highway Trust Fund. It lowers the level of equity for heavy truck combinations below that provided by the taxes as difined in the Surface Transportation Assistance Act of 1982, thereby shifting a greater portion of the cost burden of highway and bridge repair and reconstruction onto other highway users. Under DOT's alternative No. 2, combination trucks over 75,000 pounds would pay only 60 percent of their cost responsibility—as determined by the Cost Allocation Study—the same percentage they paid to passage of the STAA.

Any taxing mechanism relying on fuel consumption as a major element in compensating for highway cost responsibility becomes imprecise and inequitable when attempting to recover cost responsibility from a vehicle population with widely divergent weights. For example, the federal highway cost responsibility study found that a combination vehicle over 75,000 pounds had a per-mile cost responsibility about 16 times that of the passenger car, but consumes only about three to four times more fuel than a passenger car. Therefore, with a current federal fuel tax of nine cents per gallon, this vehicle would have to pay more than 30 cents per gallon fuel tax to meet its determined cost responsibility through fuel taxes alone.

Problems alleged to exist relating to collection costs associated with weight-distance taxes are extensively addressed in the AASHTO study previously mentioned. It notes that collection costs as reported by the states fall within a range of 12 to 14 percent. The state with the most experience with a weight-distance tax, Oregon, reported a collection and administrative cost of only 7.4 percent.

When compared with administrative costs for collecting vehicle registration fees ranging up to 14 percent and averaging around five percent, the costs of administering a weight-distance tax do not seem unreasonable. Additional study will allow perfection of the methods and procedures needed to administer and collect a national weight-distance tax.

For all these reasons we recommend that no action be taken to adjust the tax schedules contained in the 1982 STAA until the taxes are actually imposed and sufficient time has passed to assess their impact, as well as the potential impact of a national weight-distance tax.

Thank you for considering our views.

OVERWEIGHT TRUCKS INTENSIFY TRUCK-RELATED HIGHWAY DAMAGE

On July 25, 1983 the Inspector General U.S. Department of Transportation reported to the Federal Highway Administrator that an audit of the weight enforcement program in FHWA led to the conclusion that ". . . overweight trucking is causing about $562 million of premature deterioration annually to the Interstate Highway System." It recommended the implementation of a nationwide weigh-in-motion scale network to collect truck weight data—a recommendation AAA fully supports.

The Inspector General's report indicated that the $562 million annual cost of overweight trucks was probably consevative because the computation did not consider the number of overweight vehicles with less than five axles nor the damage caused to bridges by vehicles exceeding the Federal Bridge formula. No estimate was made of the premature damage to non-Interstate federal-aid roads caused by overweight trucks. It suggested, however, that the annual cost of such damage would exceed that of the Interstate because combination trucks travel more miles off Interstate than on Interstate and the deterioration costs per mile are higher ($.80 per mile versus $.25 per mile). Based upon the findings of this report it is safe to conclude that overweight trucks are responsible for more than $1 billion of premature deterioration to federal-aid highways each year.

This report was made subsequent to the establishment of user tax rate schedules in STAA 82 and so should be given full consideration in any adjustments to those tax rate schedules.

JP 10 copy

U.S. Department of Transportation

Office of the Secretary of Transportation

Memorandum

4.113

JP-10 FILE COPY

Subject ACTION: Report on the Audit of the Weight Enforcement Program in the Federal Highway Administration

Date July 25, 1983

ASFH3C15

From Joseph P. Welsch
Inspector General
Joe Welsch

Reply to Attn of JA-10

To Federal Highway Administrator

Attached is a copy of the report on the Audit of the Vehicle Size and Weight Enforcement Program in the Federal Highway Administration (FHWA). The audit was performed to determine whether FHWA's controls over the vehicle weight enforcement program were adequate to meet the legislative intent of preventing premature deterioration to the Federal-aid Highway System.

Our audit concluded that FHWA's program does not assure that state vehicle weight enforcement programs are adequate to prevent premature pavement deterioration to the Federal-aid Highway System caused by overweight trucks. This is because FHWA's current annual plan and certification process does not provide an effective basis to assess the adequacy of state enforcement programs and require more effective enforcement actions by the states. Also, additional action should be taken to implement nationwide weigh-in-motion (WIM) systems to collect truck weight data, as recommended by an FHWA task force.

Our regional audit reports in FHWA Regions I and IX disclosed that the states needed to improve their vehicle weight enforcement programs by (1) adopting higher fines and penalties, (2) establishing systems for identifying repeat violators and (3) enforcing weight laws in urban areas. Because the need for improved state enforcement programs is also likely to exist in other FHWA regions, we brought these matters to the attention of FHWA Headquarters officials and recommended corrective action on a nationwide basis.

FHWA Headquarters officials generally concurred with our audit recommendations and have agreed to take appropriate corrective actions. They indicated that FHWA will (1) formulate a long-range WIM development plan, and (2) promote the use of quantifiable truck weight data in the states' management of truck weight enforcement programs as soon as WIM systems become operational. FHWA officials also indicated that they would issue guidance to emphasize the need to evaluate those elements of state enforcement programs identified in our regional audit reports as needing improvement.

We estimated that overweight trucking is causing about $562 million of premature deterioration annually to the Interstate Highway System. If overweight trucking was reduced by only 25 percent on the Interstate System, we believe that annual savings, in terms of reduced pavement damage, of about $127 million could be realized.

I would appreciate receiving information on the status of the specific actions taken or planned on the findings and recommendations reported in accordance with DOT Order 8000.1, Paragraph 5(b).

Attachment

#

STULGINSKY:tae:07-15-83:JA-10:60500
bcc: Chron File; Subj. File; J-1; JA-10; JP-10; JA-40
Stulginsky; Koutras
cc: OIG Regional Offices III; IV; VII; IX

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Office of Inspector General

REPORT ON AUDIT OF
VEHICLE SIZE AND WEIGHT
ENFORCEMENT PROGRAM
IN THE FEDERAL HIGHWAY ADMINISTRATION

REPORT NUMBER: AS-FH-3-015
DATE ISSUED: July 25, 1983

U.S. Department of Transportation

SUMMARY

The Office of Inspector General (OIG) made a review of the Vehicle Size and Weight Enforcement Program in the Federal Highway Administration (FHWA). The purpose of the audit was to determine whether FHWA's controls over vehicle weight enforcement were adequate to meet the legislative intent of preventing premature deterioration to the Federal-aid Highway System.

Our review disclosed that FHWA cannot assure that state vehicle weight enforcement programs are adequate to prevent premature pavement deterioration to the Federal-aid Highway System caused by overweight trucks. This is because the current annual plan and certification process does not provide FHWA an effective basis to (1) assess the adequacy of state enforcement programs and (2) require more effective enforcement actions by the states. In addition, FHWA has not taken sufficient action to implement a nationwide system to collect truck weight data for the mutual benefit of planning and enforcement purposes as recommended by an FHWA task force.

Overweight trucks are causing an estimated $562 million of premature deterioration annually to the Interstate Highway System. If overweight trucking was reduced by only 25 percent on the Interstate System, we believe that annual savings, in terms of reduced pavement damage, of about $127 million could be realized. (See Page 3)

Our regional audit reports included findings which indicated that significant aspects of state vehicle weight enforcement programs did not constitute adequate deterrents to overweight trucking. The states needed to improve their enforcement programs by (1) adopting higher fines and penalties, (2) establishing systems for identifying repeat violators, and (3) enforcing weight laws in urban areas. We believe that the regional audit findings reported by our field audit staffs may also exist in other FHWA regions and that FHWA Headquarters program officials need to take corrective action on a nationwide basis. (See Page 14.)

We recommend that FHWA:

1. Establish an administrationwide plan which identifies all of the actions necessary, together with target dates, for the early implementation of nationwide weigh-in-motion (WIM) systems. The plan should also provide for the availability of funds for the purchase and installation of WIM equipment.

2. Require the states, when WIM systems become operational, to identify in their annual plans the magnitude of overweight trucking using the quantitative truck weight data obtained from WIM systems, and demonstrate quantitatively in their annual certifications the impact that their enforcement efforts had on reducing overweight trucking.

3. Issue guidance to emphasize the areas needing improvement concerning fines and penalties, repeat violators, and urban area enforcement when evaluating state vehicle weight enforcement programs.

4. Emphasize to FHWA Divisions the need to actively encourage and assist the states to strengthen their enforcement programs in those areas identified in our regional audit reports.

FHWA officials generally agreed with our findings and recommendations and agreed to take appropriate corrective actions. These actions are summarized in the Management Comments section at the end of each finding in Part II of this report.

Office of Inspector General

PART I
INTRODUCTION

A. Background

Weight limitations for vehicles using the Federal-aid Highway System were first established in the Federal-aid Highway Act of 1956. These limitations applied only to vehicles on the Interstate System. According to the 1956 Act, Federal-aid highway funds were to be withheld from any state which allowed vehicles on Interstate Highways to carry more than 18,000 pounds on a single axle, 32,000 pounds on a tandem axle and 73,280 pounds gross weight.

The Interstate Highway weight limits were amended in the Federal-Aid Highway Amendments Act of 1974. Prompted by the 1973 energy crisis, the permissible Federal weight limits were raised to 20,000 pounds single axle, 34,000 tandem axles, and for compliance with the Bridge Formula, not to exceed 80,000 pounds gross weight. The Highway Improvement Act of 1982 made mandatory these previously permissible weight limits. These increased limitations were designed to allow vehicles to carry more cargo, make fewer trips, and thereby save fuel. Congress recognized that these increased weight limits could place a severe stress on highway bridge members if a vehicle's weight was not spread over a large area. Therefore, the 1974 Act also included a Bridge Formula which assured that the allowable weight of heavy trucks was correlated with the spacing of truck axles to protect highway bridges from being overstressed. Vehicle weight limitations are included in Section 127 of Title 23 of the United States Code (U.S.C.).

The 1974 Act also required each state to certify to the Secretary of Transportation, before January 1 of each year, that it is enforcing all state laws respecting maximum vehicle size and weights permitted on Federal-aid Highway Systems. According to this Act, the Secretary could not approve any new highway projects in a state that did not meet this requirement. This funding restriction was revised by the Surface Transportation Assistance Act (STAA) of 1978. The STAA provides for a 10-percent reduction in the state's share of Federal-aid highway construction funds if the Secretary determines that a state is not adequately enforcing all state laws respecting maximum vehicle weight limitations. Requirements for the enforcement of state laws concerning vehicle weight limitations is included in 23 U.S.C. 141.

Because of the insufficiency of the prior certification requirements in assessing the adequacy of state enforcement, the Federal Highway Administration (FHWA) issued new regulations in 1980 requiring states to submit an annual enforcement plan in addition to the annual certification. The plan, after review and approval by FHWA, becomes the benchmark against which the quantitative results of each year's certification could be compared in order to judge the adequacy of the state's enforcement efforts.

Initial enforcement plans were submitted by the states to FHWA on November 1, 1980. Subsequent plans are required to be submitted annually and approved by FHWA by October 1. Failure to submit or update a plan can result in a 10-percent reduction in the state's Federal-aid highway apportionments for the following year.

The administration of FHWA's Size and Weight Enforcement Program consists primarily of activities to (1) review and approve the states' annual enforcement plans, (2) monitor the states' implementation of those plans, and (3) review and approve the states' annual certifications that they are enforcing all state size and weight laws. Federal funds are not available to assist the states in conducting their weight enforcement programs. Federal-aid resurfacing, restoring, rehabilitation, and reconstruction (4R) funds, however, may be used to construct permanent weigh stations. In addition, Federal-aid primary, urban, and secondary funds can be used to construct these stations.

FHWA spends about $400,000 annually on vehicle size and weight enforcement activities. In addition, the states incur annual costs of about $98 million to administer and conduct vehicle size and weight enforcement programs.

B. Scope

The objective of the audit was to determine whether FHWA's controls over the Vehicle Size and Weight Enforcement Program were adequate to meet the legislative intent of preventing premature deterioration of the Federal-aid Highway System. Audit emphasis was placed on the enforcement of the restrictions on vehicle weights rather than on vehicle size because our preliminary survey disclosed that the enforcement of vehicle size limitations was not a problem. The audit primarily covered current program operations and generally included the period of January 1, 1981 to June 30, 1982.

We reviewed applicable legislation, regulations, policies, procedures, plans, reports, certifications, and program files. We also reviewed the legislative and regulatory history of the size and weight enforcement program.

The audit was performed at FHWA Headquarters in the Office of Traffic Operations (OTO) and in selected FHWA division and state offices in FHWA Regions I, IV, V, VIII, and IX. The audit was made in accordance with the GAO "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" and included such tests of the procedures and operations as we considered necessary in the circumstances.

PART II
RESULTS OF AUDIT AND RECOMMENDATIONS

A. Findings and Recommendations

1. Program Improvement Needed to Assure Adequate Enforcement of Vehicle Weight Limitations on Federal-Aid Highways

Finding

The Federal Highway Administration (FHWA) cannot assure that state vehicle weight enforcement programs are adequate to prevent premature pavement deterioration to the Federal-aid Highway System caused by overweight trucks. This is because the current annual plan and certification process does not provide FHWA an effective basis to (1) assess the adequacy of state enforcement programs and (2) require more effective enforcement actions by the states. In addition, FHWA has not taken sufficient action to implement a nationwide system to collect truck weight data for the mutual benefit of both planning and enforcement purposes as recommended by an FHWA task force. Overweight trucks are causing an estimated $562 million of premature deterioration annually to the Interstate Highway System. If overweight trucking was reduced by only 25 percent on the Interstate System, we believe that annual savings, in terms of reduced pavement damage, of about $127 million could be realized.

12 mi [illegible] [illegible]

Recommendations

We recommend that FHWA:

a. Establish an administrationwide plan which identifies all of the actions necessary together with target dates for the early implementation of nationwide weigh-in-motion (WIM) systems. The plan should also provide for the availability of funds for the purchase and installation of WIM equipment.

b. Require the states, when WIM systems become operational, to identify in their annual plans the magnitude of overweight trucking using the quantitative truck weight data obtained from WIM systems, and demonstrate quantitatively in their annual certifications the impact that their enforcement efforts had on reducing overweight trucking.

Discussion

a. Background

The objective of the Federal vehicle size and weight enforcement program is to deter overweight trucking and prevent premature deterioration of the Federal-aid Highway System. FHWA requirements governing states' size and weight enforcement programs are prescribed in Part 657 of Title 23 in the Code of Federal Regulations.

From 1976 through 1980, the states were only required to submit an annual certification to FHWA that they were enforcing all state laws respecting maximum vehicle size and weights permitted on Federal-aid highways. In 1980, FHWA concluded that the data extracted from these certifications was insufficient to determine the adequacy of state enforcement efforts. This led FHWA to the development of a certification process which involves a two-stage procedure consisting of an enforcement plan and certification. When state plans are accepted by FHWA, they serve as the basis on which the annual certification of enforcement is judged for adequacy.

According to FHWA regulations each state is required to address the following areas in developing their annual enforcement plans.

— Facilities and resources, including numbers and types of scales and staff assigned to weight enforcement.

— Proposed plans of enforcement program operation, including geographical coverage and hours of operation.

— Policies and practices with respect to overweight violators, including off-loading for divisible loads.

— Policies and practices with respect to penalties, including those for repeated violations.

— Policies and practices with respect to special permits for overweight vehicles.

FHWA regulations also require that the states' annual certifications contain the following elements.

— Statements by the Governor, or an official designated by the Governor, that (1) the size and weight laws and regulations in the state governing use of the Interstate System conforms to 23 U.S.C. 127, and (2) all of the state's size and weight limits are being enforced on all Federal-aid systems.

— A copy of any state law or regulation pertaining to vehicle size and weights adopted since the state's last certification and an analysis of the changes made.

— A report of state size and weight enforcement efforts which addresses (1) actual operations as compared with those forecast by the plan; (2) impacts of the process as actually applied, in terms of changes in the number of oversize and/or overweight vehicles; and (3) measures of activity including the number of vehicles weighed, penalties assessed, and the number of permits issued for overweight loads.

b. Results of Audit

Our audit disclosed that (1) FHWA's current annual plan and certification process is not adequate because the states are not required to collect and use quantifiable data on the actual extent of overweight trucking, and (2) FHWA has not established adequate plans to assure the timely implementation of WIM systems needed to collect truck weight data for enforcement purposes as recommended by an FHWA task force.

(1) Current Plan and Certification Process Is Not Adequate

The process for the annual plan and certification of vehicle size and weight enforcement does not require the states to collect and use quantifiable truck weight data which shows the extent of overweight trucks actually using the highways. We believe that such quantifiable data is needed in order to (a) establish relevant enforcement criteria for use in managing state enforcement programs and (b) assess whether overweight trucking is being reduced, controlled, or eliminated. Until relevant enforcement criteria is developed, FHWA cannot assure that the objective of the Federal vehicle weight enforcement program, to prevent premature deterioration of Federal-aid highways, is being achieved. We estimate that overweight trucking is causing about $562 million of damage annually to the Interstate System.

(a) Data Used to Manage and Assess Adequacy of State Enforcement Programs Is Not Relevant

We determined that the annual planning data which the states are required to submit to FHWA does not include sufficiently relevant indicators for managing and assessing the effectiveness of state enforcement programs. For example, the fact that a state plans to use a certain number and type of scales for certain periods of time and reports actual operations as compared with those forecasts in the plan does not demonstrate whether overweight trucking is being controlled or reduced. The current FHWA process does not provide appropriate information for making these kinds of determinations.

A similar situation exists in connection with the state's reporting of its enforcement practices and procedures with respect to violations, penalties, and permits. We believe that the state's comparison of actual accomplishments with those proposed in annual enforcement plans is also not a sufficiently meaningful indication of adequate enforcement. For example, more trucks will be weighed and cited if a state changes its plans to operate vehicle weight stations from 8 to 24 hours a day. However, data is not available to indicate to what extent, if any, this change has had on reducing overweight trucking in the state.

The OIG believes that efforts to reduce overweight trucking could be more effective through use of a process which considers quantitative criteria on the magnitude of overweight trucking within a state, and utilizes this criteria as a basis for evaluating the effectiveness of state enforcement programs. Therefore, we believe that FHWA should require the states to identify the magnitude of overweight trucking and develop meaningful plans for reducing it. The states should also be required to demonstrate, in quantitative terms, in their annual certification to FHWA the impact that state enforcement efforts have had on reducing overweight trucking.

(b) Overweight Trucking Is Causing Premature Pavement Damage

Our review disclosed that overweight trucking is causing about $562 million of premature pavement damage annually to the Interstate System. This determination is based on our analysis of information currently available from states which use weigh-in-motion (WIM) equipment to collect highway planning and design data, and with other data developed by FHWA and the American Association of State Highway Transportation Officials (AASHTO).

Our analysis primarily included consideration of premature pavement damage caused by five-axle combination vehicles because they account for approximately 90 percent of the total combination vehicle population. Our estimate of damage was also limited to the Interstate System and did not include damage to bridges or to other Federal-aid Highway Systems because of the unavailability of sufficient data.

Five states (Florida, Minnesota, Nevada, New Mexico, and Texas) currently use WIM equipment to gather statistical data for highway planning and design purposes, We used data on tandem axle weights from the WIM systems operated by these states in reaching some of the conclusions presented in this report.

(i) Overweight Trucking is Extensive

We determined that overweight five-axle combination trucks traveled 3.2 billion miles or about 11.4 percent (3.2 billion out of 27.7 billion) of the total miles traveled by combination trucks on the Interstate System. The 3.2 billion miles was derived from (1) actual WIM system data in five states and (2) the total number of vehicle miles traveled on Interstate Highways as reported in FHWA's 1980 Highway Statistics Report.

The WIM data shows that 16.77 percent of five-axle combination trucks traveling on urban Interstate Highways and 9.45 percent traveling on rural Interstate Highways had at least one tandem axle exceeding the Federal tandem axle weight limit of 34,000 pounds. These percentages include vehicles operating legally in excess of Federal weight limits either by permit or under grandfather clauses which allow trucks to carry weights higher than the Federal limits. We determined that these overweight vehicles traveled a total of about 3.2 billion miles on the Interstate System in 1980. This consisted of 1.3 billion miles on urban Interstate Highways and 1.9 billion miles on rural Interstate Highways.

(ii) Pavement Damage Caused by Overweight Trucks Is Significant

We estimate that $562 million of premature pavement damage is caused to the Interstate System by overweight vehicles. (See Exhibit). This determination is based on (a) the additional amount of deterioration to Interstate Highways, equivalent to 3.453 billion axle miles of travel, caused by overweight vehicles; and (b) the per mile cost of deterioration to Interstate Highways ($.25 per mile, urban Interstate and $.09 per mile rural Interstate).

We believe that the $562 million of premature damage caused to the Interstate System by overweight vehicles is a conservative estimate and should probably be much higher. This is because our estimate did not consider (a) the number of overweight vehicles with less than five axles, (b) the damage caused to bridges by vehicles exceeding the Federal Bridge Formula.

Data was not available to determine the premature damage to other than Interstate Federal-aid Highway Systems caused by overweight trucks. However, we believe that the annual cost of premature damage would be substantially more on these other systems than the estimated $562 million annual damage to the Interstate System. This is because combination vehicles travel more miles on the other Federal-aid Highway Systems (32.3 billion versus 27.7 billion) and deterioration costs per mile are higher ($.80 per mile verus $.25 per mile.)

(2) Insufficient Action Taken to Implement Needed Data System

FHWA has not taken sufficient action to implement nationwide WIM systems to collect data for vehicle weight enforcement purposes as recommended by an FHWA task force. We found, as did the task force, that WIM systems can provide accurate and reliable data on the extent of overweight trucking on Federal-aid highways. Although FHWA generally agreed with the task force and has taken some actions which should contribute to the eventual implementation of WIM systems, we believe these actions are not sufficient and that more aggressive action is needed to assure the orderly and early implementation of nationwide WIM systems. Specifically, FHWA needs to establish a WIM implementation plan. We concluded that WIM systems would be cost effective because the annual cost savings in premature pavement damage resulting from improved weight enforcement far exceeds the costs to install and operate these systems.

(a) Background on Task Force Evaluation

An FHWA task force completed an evaluation of the annual Truck Weight Study (TWS) in 1981 and concluded that the TWS could be redesigned to meet both Federal and state critical data requirements in a cost effective manner including truck data for weight enforcement monitoring, highway program planning, design and analysis purposes. The task force recommended in its final report dated November 1981 that (a) the TWS should be completely redesigned to establish a statistically representative network of WIM sites for the collection of truck characteristic data, and (b) legislation should be developed which would set aside special Federal-aid funds or create new funds for purchasing and installing WIM equipment. They also suggested that the use of a "set aside" or the availability of new funds would speed the implementation of nationwide WIM systems. It was suggested that a nationwide system of WIM equipment could be operational in 10 years at a total cost of about $31.5 million.

Most FHWA and state officials agreed with the recommendations made by the task force to implement WIM systems. FHWA Headquarters officials were generally receptive and supportive of the recommendations made by the task force. They indicated that better truck data was needed and that WIM equipment could be used to collect it.

Those few states which were not fully supportive of the recommendations made by the task force believed that the implementation of WIM systems would be difficult due to excessive costs, manpower shortages, and problems related to the durability and accuracy of WIM equipment.

(b) WIM Systems Can Provide Accurate and Reliable Data

The OIG believes that WIM systems can provide accurate and reliable weight data for vehicles on Federal-aid highways. We found, based on our review of WIM systems operated by Florida and Minnesota, that the state systems provided accurate and reliable truck weight and classification data for highway planning and design purposes. However, because of some equipment reliability problems with the Minnesota WIM system, WIM data may not be sufficiently accurate at this time for evaluating the adequacy of states' vehicle weight enforcement programs.

Our audit conclusions are based on a review of the procedures used by the states to assure the accuracy and reliability of their WIM systems used to collect data for planning and design purposes. This included reviews of the results of tests performed by the states to assure the accuracy and reliability of their WIM equipment.

(c) Plan Needed to Assure Effective WIM System Implementation

We found that the initial actions taken or needed to be taken by the Office of Traffic Operations (OTO) to implement WIM systems were not part of an overall WIM implementation plan. To assure the effective implementation of nationwide WIM systems, we believe that these actions together with all other necessary actions and target dates need to be integrated into an administration-wide WIM implementation plan. We also believe that the plan should provide for the availability of funds for the purchase and installation of WIM equipment and be approved by the Administrator. Details concerning the actions being taken by OTO and some additional matters which need to be addressed in the implementation plan are discussed below.

(i) Actions Being Taken

Officials in the OTO have taken some initial actions which they believe will lead to the use of WIM systems by more states. One of these actions is a demonstration project which was initiated to resolve concerns expressed by some FHWA and state officials concerning the cost, accuracy, and reliability of WIM equipment. FHWA has allocated $1,080,000 to this project for use by eight states. All of the demonstration projects are planned to be completed about mid-1985.

Another action being planned by OTO and state officials to promote WIM systems is a national conference on WIM equipment. The conference is scheduled to be held in Denver, Colorado, in July 1983.

OTO is also developing a new manual for use by FHWA field personnel which describes all types of vehicle weighing equipment including WIM equipment. The manual will serve as an information source on weighing equipment and describe vehicle weight enforcement activities.

(ii) Additional Matters Needed to be Addressed

OTO officials also identified several matters which would need to be considered in planning for the implementation of nationwide WIM systems for enforcement purposes. Specifically, OTO program officials indicated that FHWA will need to (1) develop a statistically reliable sampling plan to collect representative statewide truck weight data, (2) evaluate requirements for fully portable WIM equipment, and (3) develop procedures to account for overweight vehicles that travel under permit whenever WIM equipment is used to collect vehicle weight data. A discussion of these matters follows.

With respect to the need for a WIM sampling plan, FHWA officials indicated that data derived from WIM systems for planning purposes does not translate automatically into sufficiently precise state-wide statistics for use in weight enforcement and certification purposes. They indicated that for enforcement purposes the WIM data would need to be derived as part of a statistically valid sampling plan which covers all Federal-aid Highway Systems. WIM derived data which is currently being collected by states for planning purposes would not be reliable for enforcement purposes because the data is derived from sampling plans which cover some but not all Federal-aid Highway Systems.

FHWA officials also believe that fully portable WIM equipment which can be operated unattended is required in order to collect statistically reliable WIM data for weight enforcement and certification purposes. According to FHWA, portable WIM equipment is under active development and is currently being tested in Arizona.

FHWA would also need to develop procedures which would assure that WIM derived data on overweight vehicles properly accounts for vehicles traveling under permit. The extent of vehicles traveling by permit needs to be identified in order to establish an accurate benchmark to measure the effectiveness of weight enforcement programs.

The OIG believes that the matters identified by FHWA represent valid concerns and, therefore, need to be considered in planning for the implementation of WIM systems. Furthermore, we believe that the actions needed to be taken to resolve these matters should be integrated into an administrationwide WIM implementation plan as we are recommending in this report.

(d) Nationwide WIM Systems Would be Cost Effective

We believe that the installation and operation of nationwide WIM systems would be cost effective. This determination is based on the results of our review and analysis of WIM component cost data, the anticipated number of WIM sites as determined by the task force, and the potential savings in reduced highway pavement damage. Our audit determination is also based on a review of the task force cost estimate to install WIM systems nationwide and a comparison of the cost of systems implemented by those states covered by our audit.

The task force cost estimate of $31.5 million is based on each state needing 34 permanent scale sites and 2 portable computer units. The portable units contain a computer which translates impulses from the scales into vehicle weight and vehicle classification data. The 2 portable units would be rotated among the 34 scale sites to obtain representative statewide data. Based on available information, we estimate that the annual cost of operating a system of this magnitude on a nationwide basis would range from $5.1 million to $7.5 million for a totally automatic, unmanned system. If all states acquired WIM systems which required attendants to operate the systems, operating costs could increase by as much as $4 million annually.

Our review also disclosed that more than 34 WIM sites may be needed in order to collect reliable and representative truck data. More sites may be necessary because the task force estimate of the number of WIM sites needed for data collection purposes included coverage only of those Federal-aid highways having a 55-mile per hour (MPH) speed limit. Additional WIM sites would therefore be required to provide proper coverage over all other Federal-aid highways having speed limits below 55 MPH.

We concluded that the installation and use of WIM systems is cost effective because the benefits from WIM systems, in terms of the potential for reducing premature Interstate Highway pavement damage of about $562 million annually, far exceeds the annual cost of purchasing and installing ($31.5 million) and operating ($7.5 million) a nationwide WIM system. If FHWA decides that more than 34 WIM sites per state are needed, we believe that the potential benefits would still exceed by a significant amount the cost of a much larger system of WIM sites.

We believe that the 10-year phase-in period for installing WIM systems as suggested by the FHWA task force should be accelerated in order to realize as soon as possible the potential benefits of reduced highway pavement damage. For instance, assuming that overweight trucking could be reduced by only 25 percent, we estimate that annual savings of $126.8 million could be realized. These savings represent our estimate of the annual reduction of premature pavement damage ($140.6 million) attributable to reduced overweight trucking of 25 percent, less the amount of the annual cost ($13.8 million) to install and operate a nationwide WIM system. Similar savings could be realized for each year in advance of the 10-year implementation period suggested by the task force.

Conclusion

The results of our audit indicate that FHWA cannot effectively assess the adequacy of state vehicle weight enforcement programs and that overweight trucking may be causing at least $562 million of premature highway damage annually to the Interstate System. We determined, as did the FHWA task force, that WIM devices can provide a cost-effective means of identifying, in quantitative terms, the magnitude of overweight trucking. We believe that the data derived from WIM systems could be effectively used in the management of vehicle weight enforcement programs to reduce and eliminate overweight trucking on Federal-aid highways.

The data from WIM systems should also result in improving the effectiveness of the states' annual expenditures of about $98 million on weight enforcement activities. In addition, we believe that WIM systems could be used to collect data needed extensively by FHWA for highway program planning, design and analysis purposes.

Therefore, we recommend that FHWA formalize an administrationwide action plan for the early implementation of nationwide WIM systems. The plan should identify all of the actions necessary together with target dates and provide for the availability of funds for the purchase and installation of WIM equipment. FHWA should also require the states, when WIM systems become operational, to identify in their annual plans the magnitude of overweight trucking using the quantitative truck weight data obtained from WIM systems, and demonstrate quantitatively in their annual certifications the impact that their enforcement efforts had on reducing overweight trucking.

Management Comments

FHWA management officials generally agreed with our audit findings and recommendations and agreed to initiate corrective action on our audit recommendations.

With respect to our first audit recommendation, FHWA officials indicated that they would formulate a long-range WIM development plan which will include a structured approach to solving any problems associated with WIM systems. The plan will be based on the early results of WIM demonstration projects in three states and the results of the national WIM conference scheduled to be held in July 1983.

Concerning our second audit recommendation, FHWA officials also agreed that action would be taken to promote the use of quantitative truck weight data in the states' management of truck weight enforcement programs as soon as WIM systems become operational.

Audit Comments

We believe that the actions which FHWA has agreed to take generally satisfy the intent of our audit recommendations.

2. Guidance and Emphasis Needed to Promote Improvements in State Vehicle Weight Enforcement Programs

Finding and Conclusions

The results of our regional audits in FHWA Regions I and IX indicate that improvements are needed in state vehicle weight enforcement programs. Our audits disclosed that the current level of state fines and penalties were not adequate deterrents to overweight trucking and that the states did not have effective systems for identifying repeat violators. The regional audit reports also showed that FHWA was approving state certifications which did not include a required analysis of enforcement in urban areas. We believe that the audit findings reported in FHWA Regions I and IX are likely to exist in other regions and that FHWA needs to take corrective action on a nationwide basis.

Recommendations

We recommend that FHWA (1) issue guidance to emphasize the areas needing improvement concerning fines and penalties, repeat violators, and urban area enforcement when evaluating state enforcement programs, and (2) emphasize to FHWA Divisions the need to actively encourage and assist the states to strengthen their enforcement programs in those areas identified by our regional audit reports.

Management Comments

We discussed the results contained in our regional audit reports and the Headquarters audit recommendations with FHWA management officials in the Office of Traffic Operation (OTO). They generally agreed with our audit recommendations and plan to take appropriate corrective actions.

Concerning our first recommendation OTO officials indicated that FHWA would issue guidance to the regions. The guidance will emphasize the need to perform an analysis of the adequacy of those elements of state enforcement programs needing improvement which we identified in our regional audit reports. This would include guidance for making comparative analyses of fines and penalty systems between the states. OTO officials indicated that they would also advise the divisions to encourage states to develop systems for identifying repeat violators.

Concerning the need to assure enforcement in urban areas, OTO officials indicated they would develop an inventory of all Federal-aid urban highways not subject to state jurisdiction for use in evaluating state certifications. This inventory would serve as a control in assessing enforcement in all urban areas.

In response to our second recommendation, FHWA program officials indicated that they would instruct the divisions to actively encourage and assist the states to improve their enforcement programs in those areas identified by our regional audits.

Audit Comments

We agree with the planned corrective actions which FHWA program officials have agreed to take on the audit recommendations. We believe that these actions will be effective in FHWA's efforts to promote improved state vehicle weight enforcement programs.

B. EXHIBIT

EXHIBIT

Estimated Pavement Damage on Interstate Highways Caused by Combination Vehicles Exceeding the Federal Tandem Axle Weight Limits

Tandem Axle Weight Categories Above 34,000 Pounds (1)	Percent of Tandem Axles in Weight Category (2)	Miles Traveled by Overweight Vehicles (Millions of Miles) (3)	Additional Highway Deterioration (Wear Factor) (4)	Equivalent Axle Miles (Millions) (Columns 3x4) (5)	Deterioration Cost Per Mile (6)	Damage Caused by Overweight Vehicles (Millions of Dollars) (Columns 5x6) (7)
			Urban Interstates			
34,001 - 35,999	5.65	423.75	.255	108.10		$27.026
36,000 - 37,999	4.56	341.25	.815	278.12		69.530
38,000 - 39,999	2.90	217.50	1.470	319.72		79.930
40,000 - 41,999	1.66	123.75	2.225	275.34		68.835
42,000 - 43,999	0.95	71.25	3.095	220.52		55.130
44,000 - 45,999	0.60	45.00	4.085	183.83		45.957
46,000 - 49,000	0.40	30.00	5.210	156.30		39.075
50,000 and over	0.07	5.25	5.210	27.35		6.838
TOTAL	16.77	1,257.75		1,569.28	$.25	$392.320
			Rural Interstates			
34,000 - 35,999	4.35	878.70	.255	224.10		$20.169
36,000 - 37,999	2.52	509.00	.815	414.80		37.332
38,000 - 39,999	1.20	242.40	1.470	356.30		32.067
40,000 - 41,999	0.60	121.20	2.225	269.67		24.270
42,000 - 43,999	0.35	70.70	3.095	218.82		19.694
44,000 - 45,999	0.23	46.50	4.085	190.00		17.100
46,000 - 49,999	0.18	36.40	5.210	189.64		17.068
50,000 and over	0.02	4.00	5.211	20.84		1.876
TOTAL	9.45	1,911.90		1,884.17	$.09	$169.576
	Grand Totals	3,169.65		3,453.45		$561.896

Key to Columns in Table

Column	Description
1 and 2	A listing in 2,000 pound increments of the percentage of 5-axle combination trucks determined to be exceeding the Federal tandem axle weight limits on urban and rural Interstate Highways. These percentages represent the actual volume of overweight trucking in the five states that use WIM systems.
3	Number of miles traveled by overweight vehicles. Mileage was determined by multiplying the total miles traveled by combination vehicles (7.5 billion on urban Interstate Highways and 20.2 billion on rural Interstate Highways) by the percent of tandem axles in each weight category. For example, 7.5 billion miles x 5.65% = 423.75 million miles.
4	This column reflects the additional highway wear over and above the wear caused by a 34,000 pound tandem axle as determined by the AASHTO road test. AASHTO determined that a 34,000 pound axle has a wear factor of 1.92. A 35,000 axle has a wear factor of 2.175. Therefore, the additional wear in this case, is equal to .255 (2.175-1.92). These wear factors represent wear on rigid pavements which constitute about 58 percent of the Interstate System. Wear factors for flexible pavements are slightly lower. However, the effect of the lower wear factor on the total estimate of damage on Interstate pavements is negligible.
5	This column shows the equivalent number of 18,000 pound axle miles attributable to that portion of the total axle weight which exceeds the Federal weight limits.
6	Data in the Highway Cost Allocation Study indicate that an 18,000 pound single axle causes \$.25 of deterioration per mile to the urban Interstate System and \$.09 of deterioration per mile to the rural Interstate System.
7	This column shows the total estimated pavement damage. For example, \$108.1 million axle miles (column 5) times \$0.25 per mile (column 6)equals \$27.025 million.

File w/report ASFH 3015

Vehicle Size + Weight Enforcement

R9FH 3062	ASFH3015
Report Date: 4/14/83	7/25/83
finding: $54,000,000	126,800,000
savings: $54,000,000	126,800,000
Geographic area: Regionwide	National
From National study by R9 office (?) indicated $54 mill premature w/o R9 - (we are saying 100% ckt 1 yr svgs)!!!	Reduce overweight trucking 25% on the Interstate through enforcement programs.
1. pinpointing repeat violators 2. assessing + collecting fines 3. State coordination	1. higher fines + penalties 2. ident repeat violators 3. urban enforcement 4. weight-in-motion

Problem: 1. The $54 mil is included in the $126.8 mil.
2. The $54 mil svgs represents a 100% change in ONE year! + annually
3. Harry does not want his $126.8 reduced by $54 mil.

Conclusion: Region IX has an overly optimistic approach
+ s/b toned down to the National 25%
+ subtracted from the 126.8. Also the Region 9
finding s/b reduced to $13.5 mil.

The headquarters report + 200 were previously questioned but no results have been provided us yet.

Jim K agrees that the 13.5 adj. w/b proper.
Al agrees 9/1/83

245-019

File with ASFH 3015 report to show FHWA concurred

Eicher
&
Gair

A-1

SUMMARY

The Office of Inspector General (OIG) made a review of the Vehicle Size and Weight Enforcement Program in the Federal Highway Administration (FHWA). The purpose of the audit was to determine whether FHWA's controls over vehicle weight enforcement were adequate to meet the legislative intent of preventing premature deterioration of the Federal-aid highway system.

Our review disclosed that FHWA cannot assure that state vehicle weight enforcement programs are adequate to prevent premature pavement deterioration to the Federal-aid highway system caused by overweight trucks. This is because the current annual plan and certification process does not provide FHWA an effective basis to (1) assess the adequacy of state enforcement programs and (2) require more effective enforcement actions by the states. In addition, FHWA has not taken sufficient action to implement a nationwide system to collect truck weight data for the mutual benefit of planning and enforcement purposes as recommended by an FHWA task force.

Overweight trucks are causing an estimated $562 million of premature deterioration annually to the Interstate Highway System. If overweight trucking was reduced by only 25 percent on the Interstate System, we believe that annual savings, in terms of reduced pavement damage, of about $127 million could be realized. (See Page 3)

Our regional audit reports included findings which indicated that significant aspects of state vehicle weight enforcement programs did not constitute adequate deterrents to overweight trucking. The states needed to improve their enforcement programs by (1) adopting higher fines and penalties, (2) establishing systems for identifying repeat violators, and (3) enforcing weight laws in urban areas. In addition, in FHWA Region I, other areas of state enforcement programs were also identified as needing improvement such as (1) non-conforming state vehicle weight laws, and (2) overweight trucking on Federal-aid highway construction projects. We believe that the regional audit findings reported by our field audit staffs may also exist in other FHWA regions and that FHWA Headquarters program officials need to take corrective action on a nationwide basis. (See Page 13.)

We recommend that FHWA:

(1) Establish an administration-wide plan which identifies all of the actions necessary, together with target dates, for the early implementation of nationwide weigh-in-motion (WIM) systems. The plan should also provide for the availability of funds for the purchase and installation of WIM equipment.

(2) Require the states, when WIM systems become operational, to identify in their annual plans the magnitude of overweight trucking using the quantitative truck weight data obtained from WIM systems, and demonstrate quantitatively in their annual certifications, the impact that their enforcement efforts had on reducing overweight trucking.

(3) Issue guidance to emphasize the areas needing improvement concerning fines and penalties, repeat violators, and urban area enforcement when evaluating state vehicle weight enforcement programs.

(4) Emphasize to FHWA Divisions the need to actively encourage and assist the states to strengthen their enforcement programs in those areas identified in our regional audit reports.

~~(5) Evaluate whether the other program improvements identified in our regional audit reports in FHWA Region I should also receive additional emphasis on a nationwide basis.~~

FHWA officials generally agreed with our ~~first~~ finding; and ~~related recom~~mendations ~~in their written response to our draft report. However, the response did not indicate the specific actions to be taken on the audit recommendations. After the issuance of our draft report, we prepared a second audit finding summarizing the results of our regional audits. We subsequently held discussions with FHWA management officials on both findings. In these discussions, management~~ officials agreed to take corrective action on [redacted] the audit recommendations contained in this report. These actions are summarized in the Management Comments section at the end of each finding in Part II of this report. FHWA officials have agreed that the Management Comments sections accurately reflect the actions they plan to take.

Discussed and
concurred with
OIG audit staff
on July 6, 1983

FHWA Audit
Liaison.

Conclusion

The results of our audit indicate that FHWA cannot effectively assess the adequacy of state vehicle weight enforcement programs and that overweight trucking may be causing at least $562 million of premature highway damage annually to the Interstate System. We determined, as did the FHWA task force, that WIM devices can provide a cost-effective means of identifying, in quantitative terms, the magnitude of overweight trucking. We believe that the data derived from WIM systems could be effectively used in the management of vehicle weight enforcement porgrams to reduce and eliminate overweight trucking on Federal-aid highways.

The data from WIM systems should also result in improving the effectiveness of the states' annual expenditures of about $98 million on weight enforcement activities. In addition, we believe that WIM systems could be used to collect data needed extensively by FHWA for highway program planning, design and analysis purposes.

Therefore, we recommend that FHWA formalize an administrationwide action plan for the early implementation of nationwide WIM systems. The plan should identify all of the actions necessary together with target dates and provide for the availability of funds for the purchase and installation of WIM equipment. FHWA should also require the states, when WIM systems become operational, to identify in their annual plans the magnitude of overweight trucking using the quantitative truck weight data obtained from WIM systems, and demonstrate quantitatively in their annual certifications the impact that their enforcement efforts had on reducing overweight trucking.

Management Comments

~~In the written response to our draft report~~, FHWA management officials generally agreed with our audit findings and recommendations. Additionally, during subsequent discussions with them, they agreed to initiate corrective action on our audit recommendations.

With respect to our first audit recommendation, FHWA officials indicated, during subsequent discussions, that they would formulate a long range WIM development plan which will include a structured approach to solving any problems associated with WIM systems. The plan will be based on the early results of WIM demonstration projects in three states and the results of the national WIM conference scheduled to be held in July 1983.

Concerning our second audit recommendation, FHWA officials also agreed, during subsequent discussions, that action would be taken to promote the use of quantitative truck weight data in the states' management of truck weight enforcement programs as soon as WIM systems become operational.

7/1/83

Audit Comments

We believe that the actions which FHWA has agreed to take generally satisfy the intent of our audit recommendations.

2. Guidance and Emphasis Needed to Promote Improvements in State Vehicle Weight Enforcement Programs

Finding and Conclusions

The results of our regional audits in FHWA Region I and IX indicate that improvements are needed in state vehicle weight enforcement programs. Our audits disclosed that the current level of state fines and penalties were not adequate deterrents to overweight trucking and that the states did not have effective systems for identifying repeat violators. The regional audit reports also showed that FHWA was approving state certifications which did not include a required analysis of enforcement in urban areas. In addition, in Region I the auditors reported that improvements were needed in other program areas such as nonconforming state vehicle weight laws and overweight trucking on Federal-aid highway construction projects. We believe that the audit findings reported in FHWA Regions I and IX are likely to exist in other regions and that FHWA needs to take corrective action on a nationwide basis.

Recommendations

We recommend that FHWA (1) issue guidance to emphasize the areas needing improvement concerning fines and penalties, repeat violators, and urban area enforcement when evaluating state enforcement programs; (2) emphasize to FHWA Divisions the need to actively encourage and assist the states to strengthen their enforcement programs in those areas identified by our regional audit reports; and (3) evaluate whether the other program improvements identified in our regional audit reports in FHWA Region I should also receive additional emphasis on a nationwide basis.

Management Comments

We discussed the results contained in our regional audit reports and the Headquarters audit recommendations with FHWA management officials in the Office of Traffic Operation (OTO). They generally agreed with our audit recommendations and plan to take appropriate corrective actions.

Concerning our first recommendation OTO officials indicated that FHWA would issue guidance to the regions. The guidance will emphasize the need to perform an analysis of the adequacy of those elements of state enforcement programs needing improvement which we identified in our regional audit reports. This would include guidance for making comparative analyses of fines and penalty systems between the states. OTO officials indicated that they would also advise the Divisions to encourage states to develop systems for identifying repeat violators.

Concerning the need to assure enforcement in urban areas, OTO officials indicated they would develop an inventory of all Federal-aid urban highways not subject to state jurisdiction for use in evaluating state certifications. This inventory would serve as a control in assuring enforcement in all urban areas.

7/1/83

US Department
of Transportation
**Federal Highway
Administration**

Memorandum

Subject OIG Draft Report on Vehicle Size and Weight Enforcement Program (your memo, dated March 25, copy attached)

Date May 25, 1983

From Director, Office of Management Systems

Reply to Attn of HMS-10

To Mr. Harry R. Jansen
IA-10 Director, Office of Surface Transportation, OIG

We have reviewed the Office of Inspector General (OIG) draft report on the FHWA vehicle size and weight enforcement program and generally agree with its findings and recommendations.

Nevertheless, important technical problems must be resolved before the FHWA or the States are in a position to develop an implementation plan for a national weigh-in-motion (WIM) system as proposed in the draft report. Ongoing WIM demonstration projects in several States suggest that although the data collected with state-of-art equipment is sufficiently accurate for highway planning and design purposes, it is not reliable enough to measure either the absolute magnitude of the truck overweight problem or the possible effect of a State's enforcement effort on this problem.

The FHWA is vigorously pursuing the development of methods to overcome these technical obstacles. The WIM demonstration programs are themselves aimed at developing methods of operation which will improve the level of accuracy. In addition, the FHWA is sponsoring a national WIM conference in July in Denver, Colorado, to discuss WIM technology and usage. It is anticipated that these actions will encourage as well as improve equipment capability and flexibility. Specific comments keyed to topic headings and pages of the draft report are attached.

George S. Moore, Jr.

Attachments

Mr. GIBBONS. Thank you.

Mr. Ordway.

Mr. ORDWAY. Thank you, Mr. Chairman.

I am Bill Ordway, president of the American Association of State Highway Officials; also, director of the Arizona Department of Transportation.

With me is Lowell Bridwell, who is Secretary of Transportation in Maryland.

We would like to briefly summarize the testimony of which we have furnished you copies.

Mr. GIBBONS. All right. The full statement will be in the record.

STATEMENT OF WILLIAM A. ORDWAY, DIRECTOR, ARIZONA DEPARTMENT OF TRANSPORTATION, AND PRESIDENT, THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS, ACCOMPANIED BY LOWELL K. BRIDWELL, SECRETARY OF TRANSPORTATION, STATE OF MARYLAND

Mr. ORDWAY. Mr. Chairman, last May, AASHTO decided to conduct a study of these issues and we created a steering committee, headed up by Mr. Bridwell, together with a consultant. We provided copies of the study report, which was recently completed, to the members of this committee, and a further copy is attached to our testimony.

This final report analyzes taxation and registration for heavy trucks and in greater depth than has ever been done before, and we think it will be a great use to all who are concerned with this issue. It documents various proposals put forward by interested agencies in our Association, and describes and evaluates a number of alternatives with regard to the heavy vehicle use tax replacement as well as methods of creating uniformity in both registration and taxation issues throughout the country. Uniformity is a real problem for the truckers.

With regard to the heavy vehicle use tax the AASHTO Executive Committee, has considered the advice of the Steering Committee and recommends as follows:

One, no truck tax would be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes and provides at least equal equity, and is administratively efficient.

Two, a Federal weight/distance tax should be considered for a replacement for the heavy vehicle use tax and all other Federal user charges, except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and provide equity among users.

Three, such a tax should be administrated by State governments with Federal reimbursements for the costs involved.

That is our executive committee policy position at this point. It will be considered by our full policy committee, consisting of all 50 States, tomorrow and we will advise you, Mr. Chairman, on how that comes out.

I might point out that independently, but in coordination with our AASHTO steering committee, the National Governors Association put together at the national level a number of groups that are interested in this problem and have developed a statement of principles which is compatible with the findings in the final report.

Also, I would like to point out that attached to the testimony is a draft bill providing a weight/distance tax with various alternatives. This was prepared by our AASHTO staff at the request of the House Public Works and Transportation Committee. It is not an AASHTO bill, but was prepared by staff and does present that alternative.

As to the impacts of our approach, Mr. Chairman, I would like Mr. Bridwell to describe those.

[The prepared statement follows:]

STATEMENT OF WILLIAM A. ORDWAY, DIRECTOR, ARIZONA DEPARTMENT OF TRANSPORTATION, AND PRESIDENT, THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

SUMMARY TESTIMONY

My name is William A. Ordway. I am President of the American Association of State Highway and Transportation Officials, and also appearing as Director of the Arizona Department of Transportation.

Last May we created a Steering Committee to conduct a study of motor carrier taxation and registration issues. We have provided copies of the Steering Committee Final Report to members of this Committee, and a further copy is attached to our testimony. The Final Report analyzes taxation and registration issues facing heavy trucks in greater depth than has ever been done before, and as such the information it contains should be of value to anyone dealing with the issues involved. It documents the issues involved with the various proposals that have been put forward by interested agencies and associations, and describes and evaluates the alternatives.

With regard to the heavy vehicle use tax, our AASHTO Executive Committee has considered the advice of our Steering Committee and recommends:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

In its analysis of the HVUT alternatives, the Steering Committee determined that the flat diesel differential tax now being considered in Congress reduces equity among vehicle classes more than any other alternative. It thus moves away from the findings of the Federal Highway Cost Allocation Study, which AASHTO endorses, and would significantly shift the cost responsibility of the heaviest trucks to other users, particularly light and medium trucks.

The Steering Committee also determined that a weight-distance tax, substituting for the HVUT and excise taxes of the STAA of 1982, provides the greatest improvement in equity among and within vehicle classes than any other alternative considered. Moreover, this particular option eliminates the truck sales tax, which the Final Report states has the greatest impact on small operators' cash flow, which is poorly related to cost responsibility and which has relatively high administrative costs. This option would also reduce the initial lump sum, front-end burden of truck sales and tire sales.

In terms of the net sum of annual administrative costs, compliance costs, and evasion costs, a federal weight-distance tax, administered by the states, is the only proposed alternative which would reduce the total of these annual costs when compared to the existing heavy vehicle use tax (HVUT). Attached is a draft bill providing a weight-distance tax on heavy vehicles in lieu of all existing taxes except fuel taxes, prepared by the AASHTO staff in response to a request by the House Public Works and Transportation Committee.

Independently of but in coordination with our AASHTO Steering Committee, the National Governors' Association pulled together at the national level numerous state interest organizations that have developed a Statement of Principles dealing with many of the same issues contained in the Steering Committee's Final Report. A copy is attached, and it is compatible with the findings of our Final Report.

Mr. Chairman, my name is William Ordway, and I appear here in two capacities. First, I am President of the American Association of State Highway and Transportation Officials, and we are pleased to have this opportunity to express some of the views of our member departments about the issue you are examining. Secondly, I am also appearing as Director of the Arizona Department of Transportation.

Your announcement, Mr. Chairman, indicated that you want to receive testimony relating to alternatives to the tax on the use of heavy trucks. This issue and other issues related to the trucks operating on the nation's highways have occupied much of AASHTO's attention over the past year. We initiated a study last May under our Standing Committee on Planning, of which I am chairman, to make an in depth examination of truck taxation and registration issues, and named a Steering Committee to guide our study. This study has now been completed.

At the outset, Mr. Chairman, I would like to state that AASHTO is generally pleased with the Surface Transportation Assistance Act of 1982, that landmark legislation your Committee helped enact in December 1982. Although we are experiencing difficulty implementing some provisions of the Act, we continue to find that substantially all of the significant provisions are working effectively. This has occurred in large part because of an effective, determined partnership between the states and the Federal Highway Administration, and we are all indebted to the quality of leadership exhibited by the FHWA during the past year.

One of the areas where there is now some disagreement between the motor carrier industry and our member departments is over the issue of cost allocation. Mr. Chairman, we have previously submitted testimony to Congress outlining why we support the FHWA "Final Report on the Federal Highway Cost Allocation Study". We will not further burden the record at this time with the reasons for our support of the FHWA Study, but stand ready to respond to any specific questions you or members of the Committee may have.

In October 1983 our member departments passed a Resolution, titled "AASHTO Position on National Truck Taxes". A copy of the resolution is attached to this testimony. Our Policy Committee was concerned about then-pending legislative efforts to take action changing the heavy truck taxation provisions of the STAA of 1982. It was the judgment of our Policy Committee that such action should not take place until further information was available, including the results of our AASHTO study on motor carrier taxation and registration issues and the Section 513(g) report by the Department of Transportation. Both of these reports are now available, and have been delivered to Congress.

This Resolution concluded with the following final resolve: " . . . AASHTO urges that if changes are made on truck taxes that alternatives be based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles, and that the level of funds raised be no less than that authorized in the STAA."

This language was interpreted by some when it was approved as a flat-out AASHTO endorsement of a national weight-distance tax. That was not the case. The facts are as follows.

On November 21, 1982, our Policy Committee enacted a Resolution stating as follows:

"That a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distance or ton mileage taxes occurs because of the establishment of a national weight distance tax."

This November, 1982 Resolution was not a recommendation that a national weight-distance tax be enacted, but only that it be considered. Since 1982 there has indeed been much consideration of a national weight-distance tax, and the matter is thoroughly discussed in both our Steering Committee report, and the Section 513(g) report just forwarded to Congress.

Looking again at our October, 1983 Resolution language as quoted above, it does not specifically identify either a weight-distance tax nor a ton-mileage tax, which by the way are very different in their impact on the motor carrier industry. Rather, it addresses itself to a tax alternative that would be "based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles". Such a taxation approach could take several different forms. A prime concern of AASHTO is that regardless of the specific form an alternative heavy truck tax might assume, that it be designed to take into account the weight of the vehicles and their usage of our highways, so that the resultant tax reflects the cost allocation principles that have been established by the FHWA report on cost allocation.

This is not to say that AASHTO may not ultimately recommend a Federal weight-distance tax. Indeed, this is one of the recommendations of the Steering Committee, a recommendation that is now undergoing review by our member departments.

One other prime concern held by the Association is also addressed in the attached third Resolution, the final phrase of which states: ". . . that the level of funds raised (by any alternative) be no less than that authorized in the STAA.

We believe that whatever alternatives might be considered to the heavy truck taxations provisions of the STAA of 1982, those alternatives ought to be revenue neutral to the Federal-Aid Highway program so that the ability to fund the authorization levels of the STAA is not adversely affected. It appears that there is general agreement among all parties to this concept, and we hope it will be maintained.

Returning again to our Steering Committee and its study of motor carrier taxation and registration issues, we engaged System Design Concepts, Inc. (Sydec) and Harold A. Hovey as consultants, and their Final Report was submitted December 31, 1983. On January 27, the Final Report was received by our Executive Committee. In a separate motion the Final Report was accepted, without the inclusion of the two proposed Resolutions contained in its preamble, and as accepted it can now be considered an AASHTO document. At their request, we have provided members of your Committee staff with copies of the Final Report, and we have also provided copies to members of this Committee. For the record, a further copy is attached to this testimony.

The Steering Committee's two proposed Resolutions have not yet completed their necessary review process within AASHTO, which I will discuss later. What is important to emphasize here is that the Final Report of the Steering Committee analyzes taxation and registration issues facing our information it contains should be of value to anyone dealing with the issues involved, whether at the federal or state level, within the motor carrier industry, or elsewhere.

There were two major reasons the AASHTO Policy Committee initiated this study at its meeting in May, 1983. First, the AASHTO Standing Committee on Planning had identified a number of specific trucking issues in its investigation of the impact of the STAA of 1982 on state transportation programs and revenues. Second, other public and private sector groups were developing alternatives to the heavy vehicle use tax provisions of the STAA of 1982, and proposals to achieve uniformity in state motor carrier taxation and registration procedures that could impact adversely on the states. Faced with this situation, AASHTO could either (1) take a passive role and simply react to and comment upon others' proposals, or (2) undertake its traditional active role where important public policy issues involving transportation are concerned by performing our own professional analyses and formulating policy positions. We chose the latter.

AASHTO's study of these issues was guided by a Steering Committee, which was chaired by Lowell K. Bridwell, Secretary of Transportation of Maryland. Serving on the Steering Committee with Mr. Bridwell were the chief administrative officers of 12 states, three states from each of AASHTO's four regions. They were Thomas D. Larson, Pennsylvania; George N. Campbell, Maine; John A. Clements, New Hampshire; Henry Gray, Arkansas; Paul N. Pappas, Florida; Thomas D. Moreland, Georgia; Warren B. Dunham, Iowa; Richard A. Ward, Oklahoma; Lowell B. Jackson, Wisconsin; Leo Trombatore, California; Joseph Dolan, Colorado; and Fred D. Miller, Oregon.

In performing the study, the Steering Committee and its consultant engaged in extensive consultations with shippers and carriers. In addition, surveys concerning the experience of individual states in motor carrier taxation and registration procedures were undertaken. In view of the diversity of state agencies involved in motor carrier taxation and registration, input from the various groups at the state level was an important aspect of the study.

In this connection, the National Governors' Association, acting as an umbrella group, pulled together at the national level numerous state interest groups involved in the issues. These groups included the National Association of State Budget Officers, the National Conference of State Legislatures, the National Association of Governors' Highway Safety Representatives, the National Association of Regulatory Utility Commissioners, the Federation of Tax Administrators, and the American Association of Motor Vehicle Administrators, and representatives from these groups were added to our Steering Committee as ex officio members. The NGA effort is chaired by Secretary of Transportation Andrew Fogarty, of Virginia. Separate from the NGA initiative, each state was encouraged to develop a working group which would pull together the numerous agencies at their own state level.

The AASHTO Steering Committee, as noted, completed its work on December 31, 1983, and the Final Report provides detailed documentation of all the issues involved and documentation of the careful process followed by the Steering Committee and its consultant in considering the various proposals that have been put forward by interested agencies or associations, developing new alternatives based on this review, selecting a limited number of important options, and evaluating all important features of them.

Independently of but in coordination with the Steering Committee, the NGA group developed a Statement of Principles dealing with many of the same issues contained in the Steering Committee's Final Report. The Statement of Principles, with some amendments, was adopted January 20, 1984 by the Staff Advisory Council to the NGA's Committee on Transportation, Commerce and Communications. A copy of the Statement of Principles is attached, and it is compatible with the findings of the Final Report.

STUDY RECOMMENDATIONS

Based upon the analysis performed in the study, the Steering Committee has put forward recommendations in two areas: amendments to the heavy vehicle use tax (HVUT) enacted by the STAA of 1982, and a means to achieve uniformity in state motor carrier taxation and registration procedures. These recommendations are contained in the Final Report that was accepted by the AASHTO Executive Committee on January 27, and will be discussed by the AASHTO Policy Committee at its upcoming February 24th meeting.

HVUT ALTERNATIVES SELECTED FOR DETAILED STUDY

Specifically, the Steering Committee examined 22 HVUT alternatives. As a result of this examination, the list was narrowed to three options which represented the broad range of alternatives put forward. These three options were then further analyzed in terms of their relative equity, administrative efficiency, and ease of compliance and enforcement, and are as follows:

(1) A flat rate diesel differential to replace the HVUT. For this alternative, a differential of 7.5¢ per gallon is estimated as the amount required to match the revenue which would be lost if the HVUT is eliminated on July 1, 1984. Under this alternative, the diesel fuel tax at the pump would be 16.5¢ per gallon, with rebates of the 7.5¢ per gallon differential being made to all vehicles weighing under 10,000 pounds.

(2) A weight-distance tax which substitutes only for the existing HVUT. This alternative was designed to yield the same overall 1983–1988 fiscal year revenues as the STAA of 1982, and to equal revenue to cost responsibility among truck classes insofar as possible, based on the Federal Highway Cost Allocation Study (FHCAS).

(3) A higher weight-distance tax which substitutes not only for the HVUT but also for other federal highway excise taxes on truck sales and tires. Like alternative (2), this alternative was designed to yield the same overall 1983–1988 fiscal year revenues as the STAA of 1982, and to equal FHCAS revenue to cost responsibility.

Both of the federal weight-distance alternatives were examined in terms of: (1) the states collecting the tax under federal guidelines, with administrative costs being covered by a fixed percentage of revenuers collected, and (2) the federal government collecting the tax.

ANALYSIS OF HVUT ALTERNATIVES

All three HVUT options were compared to a base case which retains the tax structure contained in the STAA of 1982, and which yields revenues based on the most recent Treasury forecasts, or approximately $74 billion over the life of the bill.

In its analysis of the HVUT alternatives, the Steering Committee determined that the flat diesel differential reduces equity among vehicle classes more than any other alternative. It thus moves away from the findings of the FHCAS, which AASHTO endorses, and would significantly shift the cost responsibility of the heaviest trucks to other users, particularly light and medium trucks. In addition, the flat rate diesel differential:

Creates greater incentive for evasion of taxes by use of heating oil and other means of avoiding the tax.

Increases government's dependence on the fuel tax which may become a problem in the future as alternative fuels come into wider use.

Creates inequities for special types of vehicles which have low fuel economy (e.g., trash compacting vehicles).

Requires filing of claims for refunds for all diesel passenger cars and other vehicles under 10,000 pounds, through deductions on federal income tax filings, thus causing substantial delays in rebates of taxes paid.

Parenthetically, Mr. Chairman, I would note that in an analysis of the rebate situation made within the last few weeks, it appears that in 1985 more people would be claiming refunds than would be paying a diesel differential tax. It appears that in 1985 there will be about 2.4 million trucks weighing more than 10,000 pounds, compared to 1.1 million weighing under that amount and 2.5 million diesel automobiles.

In its analysis the Steering Committee also determined that the weight-distance tax, substituting for the HVUT and excise taxes of the STAA of 1982, provides the greatest improvement in equity among and within vehicle classes than any other alternative considered. Moreover, this particular option eliminates the truck sales tax, which the Final Report states has the greatest impact on small operators' cash flow, which is poorly related to cost responsibility and which has relatively high administrative costs since it was changed to a retail tax in the STAA of 1982. This option would also reduce the initial lump sum, front-end burden of truck sales and tire taxes.

The Steering Committee then analyzed the issue of the best method to collect a weight-distance tax—at either the state or federal level. It determined that collection at the state level was clearly preferable for the following reasons:

Evasion rates could be dramatically reduced by comparison with federal administration.

Could lead to elimination of most retaliatory taxes.

Provide states with the opportunity to enact piggyback weight-distance tax increments with their own tax rates at very little added administrative cost.

Would encourage states to achieve greater equity in their tax structure, both among vehicle classes and within vehicle classes.

Such a program could be integrated with other state truck tax programs, providing improved administrative efficiency and greater effectiveness in enforcement.

Such a program would provide an opportunity to eliminate carrier fuel use taxes by adding an incentive for states to do so.

Most of the available expertise and experience already exists within state agencies.

In terms of the net sum of annual administrative costs, compliance costs, and evasion costs, the Final Report notes that a federal weight-distance tax, administered by the states, is the only proposed alternative which would reduce the total of these annual costs when compared to the existing heavy vehicle use tax (HVUT).

Based upon the relative merits of the weight-distance option that substitutes for the HVUT and excise taxes of the STAA of 1982, the Steering Committee believed that this option meets the tests of relative equity, administrative efficiency, and ease of compliance and enforcement.

UNIFORM STATE PROCEDURES

Presently, Mr. Chairman, a weight distance concept is utilized by ten states. Experience by these states discloses that administative efficiency, and ease of compliance and enforcement would be enhanced if there was a uniformity among the states regarding information pertaining to truck registrations and mileage traveled on public highways. Moreover, regardless of which truck tax is imposed, if all states uniformily maintained the necessary information there would not only be an economy of scale, but also the work load for individual states and motor carriers would be reduced and evasion would be reduced. The AASHTO Steering Committee examined the issue of uniformity in state motor carrier taxation and registration procedures. In this connection, AASHTO recognizes that the existing multiplicity of permits required for interstate operations of trucks and the inconsistency and complexity of truck fee structures and rates creates an unreasonable burden on motor carriers, and creates considerable confusion and delay in the consistent, speedy collection of state fees. Also, charges and fee structures and amounts charged by individual states often create reciprocity in collection problems in other states.

The resolution of this issue is integrally related to changing the tax on the use of heavy trucks. One of the key recommendations of the U.S. DOT Section 19 report is that the Congress enact legislation creating a working group to develop an acceptable approach to national uniform truck regulation. Therefore, based on the belief that Congress will soon be addressing this issue, I would like to briefly explain a National Carrier Tax Service Bureau concept developed and recommend by our Steering Committee.

As you know, Mr. Chairman, U.S. DOT Secretary Dole has had legislation introduced that would authorize her to establish a working group of state representatives to advise within 12 months on regulations to be promulgated dealing with uniform state registration and taxation procedures.

This bill would also allow the Secretary to reject summarily the working group's recommendations. and unilaterally promulgate federal regulations, preempting state authority in this area. This could set a precedent for potential future actions in other areas of state taxation.

In its examination and analysis of the uniformity issue, the ASSHTO Steering Committee voluntarilty took the initiative in bringing efficiency and uniformity to the state taxation system, while attempting to preserve state's rights to establish their own structure and the rates of motor carrier taxation. Following its lengthy analysis of the current situation, it specifically recommends as a solution to the problem the establishment of a National Motor Carrier Tax Service Bureau created by the states and assisted by the federal government. This Service Bureau would be a means to achieve uniformity in state tax procedures.

The Service Bureau would provide: data collection and maintenance services; administration of a multi-state agreement, including transfer of taxes due between states; enforcement of the agreement; and auditing services as needed. The approach would be designed to result in single licenses for truckers, base-state registration and reporting of mileage, and fuel use and base-state tax and registration payments. While state membership in the Service Bureau system would preferably be voluntary, it is likely that some form of federal legislative mandate woud be needed to gain total participation and compliance.

Under the Steering Committee's recommendation, the state tax structure of all participating states would have to meet the following requirements:

No truck would be required to display more than one license plate.

A maximum of two cab cards would be required—one for base-state registration and one for state economic regulation—except for special situations such as oversized or hazardous cargoes.

Only one form and payment would be required to be submitted for registration valid in all participating states.

Only one form and payment (probably quarterly) would be required for carrier fuel use reporting and taxation, covering all participating states.

States would be encouraged to adopt "one stop shopping" for all highway use tax payments and travel authority.

The Service Bureau, however, would in no way affect the states' ability to determine the structure or rates of taxs to be paid.

The functions of the Service Bureau would vary from a minimum required as a part of each state's participation in the agreement to a wide range of additional services that might be purchased by states on a voluntary negotiated basis. The minimum functions would include:

Exchange of data from required reports of truckers and from all field data relating to enforcement.

Maintenance of a data processing and clearinghouse system.

Administration of the multi-state agreement.

Development and adoption of standards for uniform administration and enforcement, including auditing and other items necessary to minimize tax evasion.

Enforcement of standards under the agreement.

In developing the Service Bureau concept as a means to achieve uniformity in state taxation procedures, the Steering Committee determined that current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and higher compliance costs for motor carriers than necessary. It was also found that some groups are seeking to use this situation to eliminate certain state taxes, while others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government. And, finally, the Steering Committee found that the states have demonstrated in the International Registration Plan, that multi-state arrangements, which allocate tax revenues by mileage in each state, are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

Mr. Chairman, on January 27 the AASHTO Executive Committee considered two Resolutions passed by the Steering Committee, copies of which are found in the Final Report. The executive Committee amended the Resolutions, and copies of them as amended are attached. The Final Report, the Steering Committee's resolutions, and the two amended Resolutions will now be considered by our Policy Committee on February 24, 1984, and it will develop our AASHTO policy, which will require a two-thirds affirmative vote of the states for approval.

Briefly, the Executive Committee Resolution to be considered by our Policy Committee contains the following provisions:

HVUT RECOMMENDATIONS

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

Mr. Chairman, a key concern we have with any alternative to the heavy vehicle use taxes contained in the STAA of 1982, as I have noted, is the overall resultant impact on the Highway Trust Fund. But the HVUT situation is not our only concern about the Trust Fund.

RECOMMENDATIONS FOR STATE PROCEDURE UNIFORMITY

With respect to the issue of uniformity of state regulation and taxation of motor carriers, the Executive Committee resolved as follows:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchases and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchases by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking. There should be an institutional mechanism to administer and enforce the uniform system. This institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reports of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of AASHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicle administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies from any state to any other state.

(5) AASHTO supports federal legislation to ensure that the policies listed above are, within a reasonable time, adopted by all the states.

(6) These actions represent positive steps on the part of the states to address the fundamental issues of uniformity in truck taxation and registration. Further, these actions provide the necessary framework for resolving issues without the necessity of federal preemptive legislation.

I would again point out that neither the Steering Committee nor the attached Executive Committee Resolutions constitute AASHTO policy. That policy will be developed on February 24, 1984 by the Policy Committee.

Also attached to this testimony is a draft bill, and a section-by-section analysis, providing a federal weight-distance tax for motor vehicles over 50,000 pound registered gross weight and a single flat tax for motor vehicles under 50,000 pounds in lieu of all existing taxes except the fuel tax. This draft bill, as indicated by the detailed explanatory transmittal letter to Congressman Robert F. Smith, was prepared in response to a request by the House Public Works and Transportation Committee during our testimony on February 8. Although not endorsed by AASHTO at this time, I believe it presents a reasonable approach to the imposition of such a tax.

Mr. Chairman, we appreciate the opportunity to provide you and your Committee with our observations and recommendations. As always, we will be pleased to be of further assistance wherever possible.

[FROM THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS]

RESOLUTION ON U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY COST ALLOCATION STUDY

(Passed by the Policy Committee in their meeting November 21, 1982.)

Whereas, the United States Department of Transportation has completed the "Final Report on the Federal Highway Cost Allocation Study" in response to Section 506 of the Surface Transportation Assistance Act of 1978; and

Whereas, the study methodology has been reviewed and evaluated and is considered to be an improvement over past cost allocation studies, in that it takes into account resurfacing and rehabilitation to preserve and protect existing highways; and

Whereas, the study is based on projected needs which are generally in accord with the American Association of State Highway and Transportation Officials' "Program for America's Highways in the '80's"; and

Whereas, the study appears to be unbiased in allocation of cost among the various classes of vehicles to attain equity and reflects the cost imposed on the highway system by that class; and

Whereas, the findings of the report show that heavier vehicles are not paying their fair share of highway costs and increased user charges are recommended on the heavier type vehicles; and

Whereas, the study recognizes that highway user taxes should be easily administered and should be graduated as a function of weight rather than remaining constant across all weights, and also recognizes that a weight distance tax could contribute significantly to a fairer and more efficient tax structure.

Now therefore, the Policy Committee of the American Association of State Highway and Transportation Officials acting at its November 21, 1982, meeting in Orlando, Florida, concurs in the findings of the Federal Highway Cost Allocation Study and recommends that legislation be enacted as soon as possible to assure that the various classes of highway users pay their fair share of the cost. It is further recommended that a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distances or ton mileage taxes occurs because of the establishment of a national weight distance tax.

AASHTO POSITION ON NATIONAL TRUCK TAXES—APPROVED BY AASHTO POLICY COMMITTEE, ON OCTOBER 2, 1983

Whereas, the Policy Committee of the American Association of State Highway and Transportation Officials acting at its November 21, 1982 meeting in Orlando, Florida, concurred in the findings of the Federal Highway Cost Allocation Study and recommended that legislation be enacted as soon as possible to assure that the various classes of highway users pay their fair share of the cost; and

Whereas, the Policy Committee of AASHTO acting at its November 21, 1982 meeting in Orlando, Florida, also recommended that a national weight distance tax be considered as a more equitable tax approach with the administration and collection to be structured at the state level with the states being reimbursed for their expenses in administration and collection, provided that no preemption of state laws establishing weight distance or ton mileage taxed occurs because of the establishment of a national weight distance tax; and

Whereas, the Surface Transportation Assistance Act of 1982 subsequently established a heavy vehicle use tax which is nationally uniform charge based upon graduated vehicle weight and which moved substantially in the direction of meeting highway cost responsibilities as determined in the Final Report on the Federal Highway Cost Allocation Study; and

Whereas, the proposed flat diesel differential use tax moves in the opposite direction of meeting cost responsibility and does not allocate costs consistent with the Federal Cost Allocation Study; and

Whereas, Section 513(g) of the Surface Transportation Assistance Act of 1982 directs the Department of Transportation, in consultation with the Department of the

Treasury, to study: (1) alternatives to the heavy vehicle use tax, and (2) plans for improving the collection and enforcement of the tax and its alternatives, and further directs that alternative taxes include those based either singly or in combination on vehicle size or configurations, vehicle weight, both registered and actual operating weight, and distance travelled; and

Whereas, the AASHTO Steering Committee on Motor Carrier Taxation and Registration Issues is conducting a study on this subject in order to develop positions and recommendations when Congress debates legislation on alternatives to the current heavy vehicle use tax, and federal preemption of state motor carrier taxation and registration policies;

Now, Therefore, the Policy Committee AASHTO, acting at its October 2, 1983 meeting in Denver, Colorado reaffirms its endorsement of the Federal Cost Allocation Study; and

Be it Further Resolved, That AASHTO urges Congress not to take action on alternative truck taxes until such time as AASHTO completes its study and presents recommendations on this vital subject; and

Be it Further Resolved, That AASHTO urges that if changes are made on truck taxes that alternatives be based on an equitable type and weight of the taxed vehicle, and the amount of highway usage for these vehicles, and that the level of funds raised be no less than that authorized in the STAA.

Resolution Concerning Federal Taxation of Heavy Trucks

(Approved by the AASHTO Executive Committee on January 27, 1984, for submittal to the AASHTO Policy Committee.)

Whereas the Congress in the Surface Transportation Act of 1982 has enacted needed funding for highway purposes and a system of taxation to achieve such funding;

Whereas the U.S. Department of Transportation is conducting studies examining alternative methods of taxing heavy trucks;

Whereas the Congress is likely to consider alternative taxes for heavy trucks during its session in 1984;

Whereas the nation's state highway and transportation officials have a vital interest in truck taxes that adequately finance the nation's highway system and provide equity in paying for that system;

Whereas the member departments of AASHTO have conducted a detailed analysis of alternative methods of taxing heavy trucks under the guidance of a Steering Committee, which was concluded on December 31, 1983 with the submittal of a final report that evaluates the fairness and practicality of the alternatives;

Whereas the Steering Committee study found that truck taxes based upon a combination of the weight of vehicles and the distance they travel more equitably distribute financing responsibility proportional to costs imposed on the system than other tax alternatives; and

Whereas the Steering Committee study found that truck taxes based on a combination of the weight of vehicles and the distance they travel provide greater equity than a tax based on either of these two factors alone;

Whereas the existing federal excise taxes on truck sales and tires represent a one time payment in advance of highway use causing a greater burden on motor carriers than taxes which are paid periodically based on use; and

Whereas the states have in place mechanisms for reporting of the weight of heavy trucks and the miles they travel and procedures and personnel for verification of these data;

Now Therefore be it Resolved:

(1) No truck shall be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

RESOLUTION CONCERNING UNIFORMITY OF STATE REGULATION AND TAXATION OF MOTOR CARRIERS

(Approved by the AASHTO Executive Committee on January 27, 1984, for Submittal to the AASHTO Policy Committee.)

Whereas current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and compliance costs for motor carriers than necessary;

Whereas some persons are seeking to use this situation to eliminate certain state taxes and others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government;

Whereas the states have demonstrated, in the International Registration Plan, that multi-state arrangements which allocate tax revenues by mileage in each state are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

Now therefore be it resolved:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchase and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchased by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking. There should be an institutional mechanism to administer and enforce the uniform system. This institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reports of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of AASHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicle administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies from any state to any other state.

(5) AASHTO supports federal legislation to ensure that the policies listed above are, within a reasonable time, adopted by all the states.

(6) These actions represent positive steps on the part of the states to address the fundamental issues of uniformity in truck taxation and registration. Further, these actions provide the necessary framework for resolving issues without the necessity of federal pre-emptive legislation.

FEDERAL TAXES ON HEAVY TRUCKS PROPOSED POLICY BY THE NGA STAFF ADVISORY COMMITTEE

Amend Highway Transportation Policy Statement (F-2). Add new Section under item B. Finance

10. The Governors commend the administration and Congress for seeking to achieve a more equitable Federal highway financing structure. Federal highway user fees should reflect fairly and without discrimination the costs occasioned to the system by the various vehicle classes.

Any additional changes in the Federal tax structure should meet the following conditions:

(A) *Revenue generation.*—Any new tax must generate at least as much revenue as the tax or taxes being replaced to ensure full funding of existing Federal highway program authorizations.

(B) *Equity.*—The distribution of cost responsibility within the financing structure should be equitable, both among and between vehicle classes.

(C) *Administrative efficiency.*—Where appropriate, existing State administrative structures should be used to avoid duplication, and the Federal Government should provide reimbursement for the costs involved.

STATE TAXATION AND REGULATION OF INTERSTATE TRUCKING BY THE NGA STAFF ADVISORY COMMITTEE, JANUARY 20, 1984

Background.—Recently, separate legislative proposals have been discussed by the U.S. Department of Transportation (USDOT) and the trucking industry that would invalidate certain state laws and procedures governing the taxation and regulation of interstate truckers. These proposals are directed at simplifying the different forms, reporting dates, administrative and enforcement procedures, and tax structures and rates that have resulted from the separate exercising of powers to regulate and tax by the states. There has been concern that these differences create unnecessary burdens on truckers operating in many different states.

Some trucking interests are supporting legislation that would make it impossible for states to enforce their weight-distance and certain other taxes and would require all states to join the International Registration Plan (IRP). DOT is seeking enactment of legislation that would allow the Secretary of Transportation to take action to overdrive the states through administrative regulation.

STATEMENT OF PRINCIPLES

The Governors believe that a solution can and should be found that simplifies reporting and administrative burdens on interstate trucking while not denying the states' control over raising revenues needed for highways or their ability to protect those who travel on them. To this end, the Governors endorse the following set of principles.

Taxation.—The freedom to structure state revenue systems is integral to the operation of state government. The Governors oppose all legislation that would, either directly or through unilateral action by an administrative officer, preempt state authority over sources of state revenues, state tax bases, or taxation methods.

Voluntary State Action.—The Governors urge voluntary action by the states to harmonize and simplify their procedures for economic regulation of interstate commerce, registration, and collection of taxes.

State/Federal Consultation.—The Governors recognize that some form of federal encouragement of this harmonization may prove to be appropriate when all reasonable voluntary efforts have been exhausted. Any federal action should be limited to administrative procedures and must involve consultation with the states.

DISCUSSION OF PRINCIPLES

Principle of Taxation.—The Constitution and current federal legislation assign to the states certain highway responsibilities and liabilities. States must finance the operation and maintenance of Federal-aid highways, fully finance the cost of improvements for 80 percent of the nation's highway network, and are liable for the safety of highway users. The maintenance of authority to adopt, repeal and change the rates, structure and level of taxes is essential to the states' responsibility to support an adequate system of highways.

States tax all users to finance highway maintenance and repair. In the case of heavy trucks, taxes fall into three major revenue sources: (1) registration fees, (2) taxes on fuel consumption, and (3) taxes based either on gross receipts of carriers, or on vehicle axles or weight-distance, to recover highway costs attributable to heavy trucking. In addition, states and local governments levy a variety of taxes and fees on trucking beyond the three mainstays of highway financing. The Governors are willing to consult with local and federal officials to eliminate, where possible, fees with one or more of the following characteristics:

Taxes that provide revenues not used for highway purposes that impose a heavier burden on trucking than on other forms of transportation or commerce and industry generally.

Taxes or charges that result in higher burdens on interstate truckers than on intrastate truckers for comparable vehicles, loads, and trips.

Retaliatory taxes or fees used by one state to attempt to influence the tax policy of another state.

Principles of Voluntary State Action.—The Governors urge voluntary action by the states to harmonize administrative procedures for economic regulation of interstate commerce, collection of registration fees and taxes, including, to the extent possible, one-stop operations, uniform definition of weight classes, and common forms and reporting procedures. It is expected that improved administration, including strengthened enforcement and audit procedures which would result from a uniform nationwide systems would produce additional revenue for both the states and the federal government. However, some states which do not now participate in a uniform system fear that at least some short term loss of tax revenue and some increased administrative costs would result should they join a uniform system. These obstacles to participation should be overcome by temporary federal financial incentives, financed out of revenues generated from improved enforcement, to compensate states for:

Demonstrated net revenue losses due to participation in the uniform system; and

The administrative burden, including the cost of technical requirements, of participating in the uniform system.

In addition, the Governors urge each state to take action in cooperation with other states to achieve the following goals:

No power unit should be required to display more than one set of license plates, issued by a base jurisdiction;

Documentation carried in the cab of the vehicle should be minimized;

Fuel tax forms, calculations, due dates and other procedures should be uniform. Consideration should be given to use a base-state approach, similar to the IRP, to fuel tax collection; and

Only one form and one payment, payable to either a base state or other designated administrative entity, should be required for registration valid in all states.

The Governors reaffirm their encouragement to all states to join the IRP and to work together to develop automated systems support services to reduce the cost and improve the effectiveness of administration of existing fuel taxes and registration fees. Existing systems should be evaluated to determine the feasibility of using them as a basic structure. The Governors oppose any proposal to shift the responsibility for vehicle registration from the states to the federal government.

Principles for State/Federal Consultation.—The Governors recognize some form of federal encouragement, in concert with the multi-state effort, may be appropriate to achieve the goals listed above. Any consultative arrangement directed by the federal government should have these characteristics: representation by state officials; a process that takes into consideration input from the trucking industry; and an adequate lead time for development and implementation of proposed remedial measures.

The Governors are concerned that the federal-state consideration of truck taxation and regulation may involve federal action impacting states adversely. The loss of revenues, invalidation of state authority, or unilateral alteration of certain state and local administrative procedures are unacceptable. Other actions which impact states must be considered only as a last resort, and only after consultation with state elected officials, and, if still considered necessary, only in response to specific legislation. The role of federal rulemaking agencies should be to perform their normal function of promulgating rules and regulations to implement this legislation.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS,
Washington, D.C., February 21, 1984.

Hon. ROBERT F. SMITH,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN SMITH: During our appearance before the Surface Transportation Subcommittee of the Committee on Public Works and Transportation on February 8, you requested that we provide you and the members of the Committee with draft legislation for establishing a federal weight-distance tax for heavy trucks. I responded during the hearing that at your request we would be pleased to prepare such draft legislation, and we have now completed that effort.

Enclosed is a draft bill, Attachment A, to impose a federal weight-distance tax on heavy motor vehicles, together with a section-by-section analysis. This draft bill was prepared by the staff of this office after consultation with several state officials, and it is to be clearly understood that it is not the product of nor is it presently endorsed by the Association and its member departments. While it is a product of the AASHTO staff, I nevertheless believe it presents a reasonable approach to the imposition of such a tax. Its content is based on findings of our recently completed study of motor carrier taxation and registration issues, a review of existing weight-distance tax laws in several states, and adopted policies of the Association where they are applicable.

As brought out in our testimony during the February 8 hearing, AASHTO undertook as comprehensive study of motor carrier taxation and registration issues. We enaged System Design Concepts, Inc. (SYDEC) and Harold A. Hovey as consultants. Their final report, which was previously furnished to your office and the Public Works and Transportation Committee, analyzed the subject issues in greater depth than has ever been done before. Although AASHTO has not completed its process for formally adopting a policy position on the subject issues, it believes that regardless of the specific form an alternative heavy truck tax might assume, it should be designed to take into account the weight of the vehicles and their usage of our highways. It is also AASHTO's position that the resultant tax reflect the cost allocation principles established by the 1982 FHWA report on cost allocation and be revenue neutral to the Federal-Aid Highway program so that the ability to fund the authorization levels of the Surface Transportation Act of 1982 (STAA) is not adversely affected. The enclosed draft bill incorporates these principles, and is based on the information contained in the Sydec report, as well as the U.S. Department of Transportation (DOT) "Report on Alternatives to Tax on Use of Heavy Trucks".

In brief, the proposed draft bill establishes a federal weight-distance tax for all motor vehicles over 50,000 pound registered gross vehicle weight (GVW) and a single flat tax for motor vehicles under 50,000 pound GVW; establishes a frame work for the states to administer the new federal tax; and repeals the heavy vehicle use tax, the sales tax on heavy trucks and trailers sold at retail, and the tax on tires and tubes imposed by the STAA.

The intent of the draft bill is to impose a tax upon heavy motor vehicles which more accurately reflects their share of highway costs as determined by the 1982 Federal Highway Cost Allocation Study than that imposed by existing legislation. It is also intended, as a minimum, to attain the revenue levels established by the STAA of 1982. A number of rate schedules can be developed to achieve these goals to varying degrees, as shown on Attachment B; four different options are contained on this table with Option 1 being that contained in the proposed bill. The four options of the table of Attachment B are analyzed in Schedules A through D, attached to the table. As shown in Schedule A, the rate schedule in the draft bill contains rates which fairly accurately reflect a full share of highway cost responsibility. The revenue generated from these rates is estimated to exceed that anticipated from the STAA in 1986 by $376 million ($13,609 million vs. $13,233 million). The rates used are those necessary to replace the STAA heavy vehicle use tax (HVUT), the retail sales tax on heavy trucks and trailers, and the tax on tires and tubes, i.e., all taxes except the fuel tax.

Of the three additional rate schedules, Option 2, as shown on Schedule B, has rates which reduce both the level of highway cost responsibility and revenue generated to levels approximately equal to those anticipated from the STAA of 1982. Option 3, as shown on Schedule C, and Option 4, as shown on Schedule D have the same inherent features pertaining to cost responsibility and revenue generation as Options 1 and 2 respectively, but would merely replace the HVUT established by the STAA of 1982.

A number of additional rate schedules have been suggested. These rate schedules are based on different assumptions. For example, our consultant, Sydec, prepared a rate schedule to replace all existing taxes except the fuel tax (comparable to Options 1 and 2) with rates ranging from 1.7 cents per mile for 55,000 pound vehicles to 7.7 cents for 80,000 pound vehicles. The difference is primarily due to Sydec incorporating an allowance for evasion assumed at 12 percent. Sydec found this percentage to be near the high end of the range for a weight-distance tax administered by the states and near the low end of the range for a weight-distance tax administered by the Federal Government. Some experts contend that an evasion rate should not be assumed for rate schedule computations. It is reasoned that inclusion of evasion factors in rates unfairly penalizes those who pay the tax by requiring them to pay the share for those who do not pay the tax. The rate schedule in the draft bill and the other three optional rate schedules enclosed incorporate an evasion rate of 8.5 percent. This rate represents a conservative compromise among various theories and assumptions and recognizes that a federal weight-distance tax will have a smaller evasion rate than presently experienced by individual states.

Another factor partially accounting for the differences among the proposed rate schedules is the manner by which differences within and among classes of vehicles are treated. The rate schedules enclosed considered this factor in a manner which resulted in rates with reasonable professions.

The proposed draft bill also includes incentives for the use of additional axles on heavy trucks which can help mitigate the damage heavy trucks can cause to our highways. AASHTO studies and the Federal Highway Cost Allocation Study show that highway damage is primarily caused by a relationship between the weight of the vehicle and the number of axles. Therefore, since vehicles with additional axles cause less damage than vehicles of the same weight with fewer axles, the rate of payment is not increased above the 80,000 pound category for vehicles weighing in excess of 80,000 pounds with additional axles. It appears this provision will become particularly important in forthcoming years primarily in western states, where it is anticipated there will be a larger number of two- and three-trailer vehicles on the highways as a result of the provisions in STAA.

Critics of a weight-distance tax contend that it is inequitable because it does not consider the fact that vehicles do not necessarily travel with a load commensurate with its registered weight. To achieve a tax which precisely accounts for the weight of each trip it would be necessary to impose a "ton-mile" tax. The AASHTO study discussed that a ton-mile tax would not be practical because the administrative costs would be excessive considering the necessity to maintain records and impose a separate tax rate for the weight of each trip for each vehicle. To account for actual weight variations for similar class vehicles discounts can be granted for the basic tax liability for certain classes of vehicles and/or classes of cargo.

For example, the Arizona weight-distance tax has a provision whereby vehicles with 45 percent or more ratio of empty mileage (such as tanker truckers, auto carriers, or log trucks) or with a large amount of travel on non-public roads (such as agricultural vehicles and log trucks) are granted a 30 percent discount from the basic tax liability. Similar provisions could be considered for inclusion in any legislation establishing a federal weight-distance tax. Also, it will be recalled that existing HVUT legislation of the STAA of 1982 exempts trucks used for less than 5,000 miles on public highways. The draft bill does not propose to repeal this provision.

As noted above, the threshold for the imposition of a weight-distance tax is set at 50,000 pounds GVW in the draft bill. There are a number of reasons for establishing this weight limit. Admittedly, one reason was merely because this was the threshold used in the Federal Highway Cost Allocation Study. It is also used because it is believed that for vehicles weighing less than 50,000 pounds a weight-distance tax based on cost responsibility generates revenues inadequate to justify the administrative costs to the states and the new burdens placed on this segment of the industry by subjecting these vehicles to mileage reporting. In addition, based on existing state requirements, 83 percent of all trucks weighing 50,000 pounds or more are required to report mileage, whereas only 29 percent of the vehicles weighing less than this amount are required to report mileage. Moreover, the Federal Highway Cost Allocation Study shows that there is a sharp increase in highway cost responsibility per mile for vehicles in excess of 50,000 pounds whereas this cost is relatively constant for vehicles between 20,000 and 50,000 pounds. Nevertheless, it is recognized that other proposals have used different thresholds which appear reasonable and acceptable. For example, the Department of Transportation's "Report on Alternatives to Tax on Use of Heavy Trucks" uses 55,000 pounds as a threshold for its alternatives pertaining to a combination of a diesel differential and a HVUT. It uses a 30,000 or 33,000 pound threshold for weight-distance tax alternatives but notes that these thresholds "could be raised to reduce the administrative cost of these options by limiting the tax to a smaller universe of trucks." As stated, however, a low threshold would impose recordkeeping on a large number of truck owners not presently accustomed to maintaining such records.

The proposed draft bill would impose a flat vehicle highway use tax for vehicles weighing between 33,000 and 50,000 pounds GVW amounting to $50 per year plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds to a maximum of $1,450. As shown on Schedule A this would represent a reduction in payments as compared to the STAA for all trucks under 50,000 pounds, and significantly reduces current overpayments for single unit vehicles. This rate would represent a ratio of revenue to cost responsibility for combination vehicles of .87, representing the largest underpayment of any class of vehicles (a ratio of less than 1 indicates underpayment). The rate was established lower than full cost responsibility recovery in order to discourage the registration of vehicles near the 50,000 pound threshold at a higher weight so as to be entitled to the smaller payments required under the weight distance tax. That is, there is an incentive to register a vehicle at a weight in excess of 50,000 pounds when the mileage-based payments are less than the annual flat fee tax. For example, it is believed that based on the rates proposed in the draft bill a 50,000 pound vehicle travelling less than 55,000 miles per year would pay less for a weight distance tax than the flat fee. On the other hand, establishing a flat fee tax less than that proposed in the draft bill would reduce the ratio of payment to cost responsibility to an even lower level, which seems unjustified.

The proposed draft bill provides that the tax be administered through a state based system of mileage reporting and auditing. It further provides for the establishment of an advisory committee of state officials to recommend a system for uniform mileage data collection enforced through federal regulations. Although specifics are not provided, it is believed that consideration should be given to including a provision providing for either an incentive to comply with the data collection requirements, or conversely carefully tailored sanctions for failure to comply with these requirements. Also, it is possible that consideration might be given to including a provision which would provide states from imposing discriminatory taxes against motor vehicles, if it is believed that such taxes can impose an unreasonable burden on interstate commerce.

Turning to the collection procedures for a federal weight-distance tax, the draft bill is designed to require little more to be done by motor carriers than they now routinely do. As noted previously, weight and mileage data are already required to be reported to states for an overwhelming percentage of trucks. The maintenance of this data is relatively simple and does not impose a significant burden upon the industry, and as is now done in states like Arizona, the draft bill simply utilizes this data for reporting the weight-distance tax due on a periodic basis. Enclosed, as Attachment C, is a copy of the form currently being used by Arizona for reporting this data. It will be noted that it merely requires a truck identification, an indication of the number of miles travelled in Arizona and the weight of the vehicle. This simplified reporting system provides a mechanism that is easy to administer with a high degree of compliance which would be perceived as equitable.

Our study, mentioned above, concluded that a federal weight-distance tax administered by the states is the only proposed tax alternative which would reduce the total of annual net administrative costs, compliance costs, and evasion costs compared to the HVUT provisions of the STAA. Of the ten states which presently have a form of weight-distance tax, Arizona is the most recent state and reports that administrative costs are estimated at less than one percent of the revenues collected from the weight-distance tax. Moreover, AASHTO believes that administrative costs and evasion losses presenty experienced by individual states should be substantially reduced if the tax were instituted in a uniform manner on a nationwide basis.

Finally, enclosed, as Attachment D, is a comparison prepared by the AASHTO staff of provisions and issues pertaining to the STAA with a weight-distance tax and selected other alternatives presently being proposed. This side-by-side format should facilitate a review of these proposals.

Again, I must point out that AASHTO is presently in the process of developing a position with regard to whether a change should be made in the existing heavy vehicle use tax, and if so what would be an acceptable alternative. It is anticipated that this action will be completed shortly, and we will inform you of the actions taken.

If there is any further information you may need or if we can be of any further assistance in these matters, please do not hesitate to contact me.

Very truly yours,

FRANCIS B. FRANCOIS, *Executive Director.*

Enclosures.

Attachment A

A BILL

To amend the Internal Revenue Code of 1954 to alter the highway use tax on heavy motor vehicles and to repeal the excise tax on retail sales of trucks and the excise tax on tires and tubes, and other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

Section 1. Short Title.

This Act may be cited as the "Highway Use Tax Act of 1984."

Section 2. Findings and Purposes.

The Congress of the United States, recognizing the vital functions of our nation's roads and highways and the enormous investment that generations of Americans have made in our highway system, finds that the protection of that investment requires an equitable allocation of the costs of highway use among road users; and further finds that current taxes are not equitable among classes of highway users and within the classes of highway users according to generally accepted federal cost responsibility allocation findings.

Accordingly, it is the purpose of this Act to tax highway users more fairly for their use of the nation's road and highway system by creating a tax on commercial motor vehicles based on the registered weight of those vehicles and their actual use of the highways and to administer that tax in cooperation with the states.

Section 3. Alteration of the Highway Use Tax.

(a) Section 4481 (a) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) In General. ---

(A) For vehicles of at least 33,000 pounds but less than 50,000 pounds taxable gross weight a rate of $50 a year plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds.

(B) For vehicles of 50,000 pounds taxable gross weight or greater.---

At least	But less than	Mileage tax rate
50,000 pounds	51,000 pounds	2.53¢ per taxable mile travelled
51,000 pounds	52,000 pounds	2.54¢ per taxable mile travelled
52,000 pounds	53,000 pounds	2.55¢ per taxable mile travelled
53,000 pounds	54,000 pounds	2.56¢ per taxable mile travelled
54,000 pounds	55,000 pounds	2.57¢ per taxable mile travelled
55,000 pounds	56,000 pounds	2.58¢ per taxable mile travelled
56,000 pounds	57,000 pounds	2.59¢ per taxable mile travelled
57,000 pounds	58,000 pounds	2.60¢ per taxable mile travelled
58,000 pounds	59,000 pounds	2.61¢ per taxable mile travelled
59,000 pounds	60,000 pounds	2.62¢ per taxable mile travelled
60,000 pounds	61,000 pounds	2.63¢ per taxable mile travelled
61,000 pounds	62,000 pounds	2.64¢ per taxable mile travelled
62,000 pounds	63,000 pounds	2.65¢ per taxable mile travelled
63,000 pounds	64,000 pounds	2.66¢ per taxable mile travelled

At least	But less than	Mileage tax rate
64,000 pounds	65,000 pounds	2.67¢ per taxable mile travelled
65,000 pounds	66,000 pounds	2.68¢ per taxable mile travelled
66,000 pounds	67,000 pounds	2.69¢ per taxable mile travelled
67,000 pounds	68,000 pounds	2.70¢ per taxable mile travelled
68,000 pounds	69,000 pounds	2.90¢ per taxable mile travelled
69,000 pounds	70,000 pounds	3.10¢ per taxable mile travelled
70,000 pounds	71,000 pounds	3.40¢ per taxable mile travelled
71,000 pounds	72,000 pounds	3.70¢ per taxable mile travelled
72,000 pounds	73,000 pounds	4.00¢ per taxable mile travelled
73,000 pounds	74,000 pounds	4.30¢ per taxable mile travelled
74,000 pounds	75,000 pounds	4.70¢ per taxable mile travelled
75,000 pounds	76,000 pounds	5.10¢ per taxable mile travelled
76,000 pounds	77,000 pounds	5.50¢ per taxable mile travelled
77,000 pounds	78,000 pounds	6.00¢ per taxable mile travelled
78,000 pounds	79,000 pounds	6.50¢ per taxable mile travelled
79,000 pounds	80,000 pounds	7.00¢ per taxable mile travelled
80,000 pounds or more		7.50¢ per taxable mile travelled plus 50¢ per mile for every 2,000 pounds or fraction thereof over 82,000 pounds gross vehicle weight."

(c) As an incentive for vehicles to have additional axles, for vehicles of in excess of 80,000 pounds with:

	Mileage tax rate
7 Axles: 2 trailer (3S-2-2) (Rocky Mt. Doubles) 3 trailer (2S-1-2-2)	rate for an 80,000 pound vehicle up to a maximum weight of 91,500.
8 Axles: 2 trailer (3S-2-3) (Washington Doubles) 3 trailer (3S-1-2-2)	rate for an 80,000 pound vehicle up to a maximum weight of 105,500.
9 Axles: 2 trailer (3S-3-3) (B Train) 2 trailer (3S-2-4) (Turnpike doubles)	rate for an 80,000 pound vehicle up to a maximum weight of 124,000

(b) Subsection (c) of Section 4481 of such Code (relating to proration of tax) is amended:

(1) By inserting the words "for certain vehicle classes" after "Proration of tax" in the title of subsection (c).

(2) By inserting a paragraph (3) to read as follows:

"(3) APPLICABILITY OF THIS SUBSECTION. -- This subsection shall not apply to vehicles subject to the mileage tax rates prescribed in subparagraph (b) of paragraph (1) of section 4481 (a).".

(c) Subsection (d)(4) of Section 4483 (relating to relief from liability for tax under certain circumstances where truck is transferred) is amended by inserting "subparagraph (A) of paragraph (1)" after "section 4481" each time it appears.

(d) Subsection (d) of Section 4483 of such Code is amended to read as follows:

"(d) Period of tax liability. --

(1) In general. -- To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.

(2) (A) Highway motor vehicles taxed under subparagraph (A) of Section 4481 (a) (1) shall have the privilege of installment payment as described in Section 6156 of such Code.

(B) Highway motor vehicles taxed under subparagraph (B) of Section 4481 (a) (1) shall pay taxes on a quarterly basis. Procedures for quarterly payment shall be determined under regulations prescribed by the Secretary.".

(e) Section 4482(c) of such Code is amended as follows: --

(1) By inserting at the end of of paragraph (4) the following words:

"Use of the term 'taxable period' in this section shall not affect the requirement contained in Section 4481 (d) (2) (B) that the mileage tax imposed under Section 4481 (a) (1) (B) be paid on a quarterly basis.".

(2) By adding at the end of subsection (c) the following new paragraph:

"(6) Taxable mile -- The term 'taxable mile' means any mile travelled on a public highway. A private road is not a public highway for the purposes of this subchapter unless dedicated and accepted by the proper authorities as a public highway. The mere use of a private road by one or more members of the public with or without the consent of the owner does not make it a public highway."

(3) Subsection (d) is amended by substituting the words "section 4481 (a) (1) (A)" for the words "section 4481 (a)".

Section 4. Repeal of the Tax on Heavy Trucks and Trailers Sold at Retail.

(a) In General. -- Subchapter B of Chapter 31 of the Internal Revenue Code of 1954 (Sections 4051, 4052 and 4053 relating to the imposition tax on heavy trucks and trailers sold at retail) is hereby repealed.

Section 5. Repeal of the Tax on Tires and Tubes.

(a) In General. -- Subsection (a) of Section 4071 of Subchapter A of Chapter 32 of the Internal Revenue Code of 1954 (relating to the imposition and rate of tax on tires and tubes) is hereby repealed.

Section 6. Effective Date.

(a) In general. -- Except as otherwise provided, amendments made by this Act shall take effect on September 30, 1986.

(b) Subsection (f) of Section 513 of P.L. 97-424 (96 Stat. 2179) (relating to effective date in general and special rule in the case of certain owner-operators) is hereby repealed.

Section 7. New Duties Assigned to FHWA.

(a) Sec. 104(c) of Title 49 is amended to read as follows:

"(3) duties and powers vested in the Secretary by Sec. 325 of Title 23; and

(4) additional duties and powers prescribed by the secretary.".

Section 8. New FHWA Duties Defined.

(a) Chapter 3 of Title 23 is amended by inserting a new section to read as follows:

"Sec. 325. Uniform State Mileage Data Collection --

(a) In order to improve the disbursement of grants based on heavy truck vehicle miles of travel and to assist the Department of the Treasury and the States in the collection of mileage-based taxes, including the tax imposed on certain trucks by the Highway User Tax Act of 1984 (26 U.S.C. Sec. 4481), the Secretary shall, immediately upon enactment of this legislation, in cooperation with the respective governors or other elected officials in jurisdictions not having a governor, appoint a committee of state officials, under the Secretary's chairmanship, to oversee the development of a uniform system of state measurement and collection of truck highway use data. The committee shall be composed of at least one representative for each state. The committee, in cooperation with the Secretary, shall recommend uniform standards for highway use data collection by September 30, 1985. Data collected by the states shall include, but not be limited to, the following:

(1) Taxable mileage of trucks with gross vehicle weights over 50,000 pounds reported by gross vehicle weight groups;

(2) Other heavy vehicle operating characteristics.

(b) The Secretary is empowered to issue rules and regulations to ensure the proper and uniform collection of data necessary to enforce the Highway Use Tax Act of 1984 (26 U.S.C. Sec. 4481). The rules and regulations shall be based upon the recommendations of the Committee established by subsection (a) of this section.

(c) (1) Each State shall submit a plan, and any subsequent major revisions to that plan, for the collection of the data required by this section, to the Administrator within six months of the promulgation of uniform standards for the collection of such data.

(2) The Administrator shall approve or disapprove such plan and any subsequent major revisions within three months of its submission. The Administrator shall approve such plan if it substantially complies with this subsection.

(d) (a) There is hereby authorized to be appropriated to assist the states in the development of the uniform data collection system mandated by this section a sum not to exceed $50,000,000 for the fiscal year ending September 30, 1986, and remain available until expended. The funds shall be allocated to the states on the basis of a proration of the mileage travelled by vehicles over 50,000 pounds gross weight in each state as determined by the Administrator.

(b) After September 30, 1986, five per centum of the revenues raised by the Highway Use tax Act of 1984 (26 U.S.C. Sec. 4481) in any year shall be allocated to the states to assist in alleviating the cost of administering this section during that year. Revenues allocated to the states for this purpose shall be prorated according to the number of taxable miles travelled in each state by highway motor vehicles subject to the Highway Use Tax of 1984.

* * * * *

(It is suggested that consideration be given to inserting a section 9 providing an incentive for the states to comply with the requirements of section 8 above pertaining to submitting a data collection plan; or alternatively, sanctions for failure to comply with such requirements may be agreed upon by the states. Such a mechanism may contain the following.)

Section 9. Enforcement.

The first sentence of subsection (d) of Section 9, Section 141 of Title 23, United States Code, is amended to read as follows:

The Secretary shall reduce the state's apportionment of federal-aid highway funds under Section 104(b)(5) of this title in an amount (there should be inserted at this point an amount agreed upon by the states) of the amount to be apportioned in any fiscal year beginning after September 30, 1986, during which a state fails to comply with the requirements of Section 8 of this Act.

* * * * *

(It is suggested that consideration might be given to inserting a section 10 prohibiting various state discriminatory taxes such as those that presently exist in some states applicable to state taxes on heavy motor vehicles. Such a provision might contain the following.)

Section 10. Tax Discrimination Against Motor Vehicles.

(a) The following Section 11503b is added to Title 49 of the United States Code:

"Section 11503b. Tax Discrimination Against Motor Vehicles.

(a) In order to prevent an unreasonable burden and discrimination against interstate commerce a state, subdivision of a state, or authority acting for a state or subdivision of a state may not impose any motor vehicle tax liability which depends upon such vehicle's state of registration. Such prohibition shall not apply to bilateral or multilateral agreements granting reciprocal motor vehicle tax treatment or to agreements for the proration of motor vehicle tax payments.

(b) Notwithstanding Section 1341 of Title 28 and without regard to the amount in controversy or citizenship of the parties, a District Court of the United States has jurisdiction, concurrent with other jurisdiction of the courts of the United States and the states, to prevent a violation of subsection (a) of this Section.

SECTION-BY-SECTION ANALYSIS

Section 1 - Short Title

This Section sets out the short title of the Act as the "Highway Use Tax Act of 1984."

Section 2 - Findings and Purpose

This section sets out the findings and purpose of the Act.

Section 3 - Alteration of the Highway Use Tax

This section amends Sec. 4481 of the Code by repealing the heavy vehicle use tax imposed by the STAA of 1982, and prescribing tax rates for vehicles weighing 33,000 pounds or more. Vehicles weighing under 33,000 pounds are not taxed under this section. Those weighing between 33,000 and 50,000 pounds are subject to a flat tax of $50 per year, plus $80 for each 1,000 pounds or fraction thereof in excess of 33,000 pounds for a maximum of $1,450. Trucks weighing 50,000 pounds and more are taxed at rates for each taxable mile travelled varying according to the registered weight of the vehicle. Taxable mile is defined as a mile travelled on a public highway. The existing exemption where a truck is used less than 5,000 miles a year on public highways is retained.

This section also requires that the tax on vehicles weighing 50,000 pounds or more be paid quarterly, in accordance with regulations to be issued by the Secretary. Vehicles under 50,000 pounds may pay annually or quarterly, as under current law.

Section 4 - Repeal of the tax on heavy trucks and trailers sold at retail

This section repeals the tax on the retail sale of heavy trucks and trailers imposed by Sections 4051-4053 of the Code.

Section 5 - Repeal of the tax on tires and tubes

This section repeals the tax on tires and tubes imposed by Sections 4071-4073 of the Code.

Section 6 - Effective date of this legislation

This section provides that this Act will take effect on September 30, 1986.

Section 7 - New duties assigned to FHWA

This section provides for delegation of the duties assigned to the Secretary of Transportation by Section 8 to the Federal Highway Administrator.

Section 8 - New FHWA duties defined

This section provides a system for the collection of data necessary for the proper application of the Act. Data is to be collected by the states under uniform federal guidelines. The guidelines are to be developed by a committee of state officials in consultation with the Secretary by September 30, 1985. The Secretary shall promulgate these guidelines as regulations. The states will then have six months to develop plans for collecting the required information under the guidelines. The sum of $50,000,000 is authorized for fiscal year 1985 to assist the states in implementing the new system.

The section also provides that after September 30, 1986, 5 percent of the revenues raised by the Act shall be allocated to the states to aid in the cost of administering the Act. Revenues allocated to the states will be apportioned based on the number of taxable miles travelled in that state.

Section 9 - Enforcement

This section is included merely as a suggestion for the states to consider in developing a mechanism to assure compliance with the provisions in section 8 pertaining to submitting a data collection plan. The suggested section provides a sanction for failure to comply with these requirements, but it may be preferable to provide an incentive for compliance. In either case it should be recognized tht all states must comply with the requirements.

Section 10 - Tax Discrimination Against Motor Vehicles

This section is included merely as a suggestion to consider, and is a provision which prohibits states from levying or collecting retaliatory motor vehicle taxes. These taxes classify motor vehicles on the basis of the taxing policies of the state in which they are registered. As a result trucks with identical operating characteristics pay different taxes. It has been found this can discriminate against foreign trucks, and place an undue burden on interstate commerce.

The suggested section does not invalidate agreements between states to grant motor vehicle tax reciprocity or to prorate motor vehicle taxes. These agreements reduce the tax which foreign state registered vehicles must pay below the level for domestic vehicles. In this case, the rate of taxation of domestic vehicles is the ceiling for that state's taxation of all motor vehicles, and the political representation of domestically registered vehicle owners will prevent excessive taxation. Since retaliatory taxes raise the tax on foreign state registered vehicles above the tax on domestically registered motor vehicles, there is no effective political limit on excessive taxation, and the operation of vehicles in interstate commerce can be threatened.

This section also provides an exception to the Tax Injunction Act so that retaliatory taxes may be challenged in the federal district courts.

Attachment B

Weight-Distance Tax Rate Schedule by Option
(cent per mile)

Truck Classes	Option 1 Tax Rates	Option 2 Tax Rates	Option 3 Tax Rates	Option 4 Tax Rates
50-51 kip	2.53	3.38	0.55	1.15
51-52	2.54	3.39	0.55	1.17
52-53	2.55	3.39	0.55	1.19
53-54	2.56	3.40	0.55	1.21
54-55	2.57	3.40	0.60	1.23
55-56	2.58	3.41	0.60	1.25
56-57	2.69	3.41	0.60	1.27
57-58	2.60	3.42	0.65	1.29
58-59	2.61	3.42	0.65	1.31
59-60	2.62	3.43	0.65	1.34
60-61	2.63	3.43	0.70	1.37
61-62	2.64	3.44	0.70	1.40
62-63	2.65	3.44	0.70	1.43
63-64	2.66	3.45	0.76	1.46
64-65	2.67	3.45	0.76	1.51
65-66	2.68	3.46	0.76	1.56
66-67	2.69	3.46	0.82	1.62
67-68	2.70	3.47	0.92	1.68
68-69	2.90	3.53	1.03	1.75
69-70	3.10	3.61	1.36	1.82
70-71	3.40	3.69	1.69	1.89
71-72	3.70	3.77	2.02	1.96
72-73	4.00	3.85	2.35	2.03
73-74	4.30	3.94	2.68	2.10
74-75	4.70	4.03	3.01	2.17
75-76	5.10	4.12	3.34	2.25
76-77	5.50	4.21	3.67	2.33
77-78	6.00	4.30	4.03	2.41
78-79	6.50	4.39	4.39	2.49
79-80	7.00	4.48	4.75	2.57

Note: These tax rates reflect an evasion rate of 8.5 percent.

Schedule A

Weight-Distance Tax Option 1
Replacement for all Existing Taxes Except Fuel Tax
Federal Revenue - 1986
($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Proposed flat highway use tax**	Weight-distance tax revenue on vehicles >50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895				$ 5,895	1.04	1.01
Pickups & vans	$ 2,675				$ 2,675	1.13	1.10
Single units							
<26 kips	$ 483	($ 16)			$ 467	1.10	1.03
>26 kips	$ 643	($ 245)	$156		$ 554	1.17	0.98
Combinations							
<50 kips	$ 322	($ 122)	$102		$ 302	0.95	0.87
50-55 kips	$ 191	($ 131)		$ 92	$ 152	1.20	0.93
55-60 kips	$ 191	($ 131)		$ 94	$ 154	1.20	0.94
60-65 kips	$ 191	($ 131)		$ 96	$ 156	1.20	0.95
65-70 kips	$ 191	($ 131)		$ 98	$ 158	1.20	0.96
70-75 kips	$ 1,057	($ 710)		$ 823	$ 1,170	0.92	1.00
75-80 kips	$ 1,394	($ 948)		$1,480	$ 1,926	0.72	0.97
	$13,233	($2,565)	$258	$2,683	$13,609		

*For trucks between 33-50 kips, highway use tax is retained.

**Single unit trucks >33 kips $50 + $80/kip over 33 kips.
Combination trucks <50 kips $50 + $80/kip over 33 kips.

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule B

Weight-Distance Tax Option 2
Replacement for all Existing Taxes Except Fuel Tax
Federal Revenue - 1986

($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Proposed flat highway use tax**	Weight-distance tax revenue on vehicles >50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895				$ 5,895	1.04	1.04
Pickups & vans	$ 2,675				$ 2,675	1.13	1.13
Single units							
<26 kips	$ 483	($ 16)			$ 467	1.10	1.06
>26 kips	$ 643	($ 245)	$156		$ 554	1.17	1.00
Combinations							
<50 kips	$ 322	($ 122)	$102		$ 302	0.95	0.89
50-55 kips	$ 191	($ 131)		$ 122	$ 182	1.20	1.14
55-60 kips	$ 191	($ 131)		$ 123	$ 183	1.20	1.15
60-65 kips	$ 191	($ 131)		$ 124	$ 184	1.20	1.15
65-70 kips	$ 191	($ 131)		$ 125	$ 185	1.20	1.16
70-75 kips	$ 1,057	($ 710)		$ 750	$ 1,097	0.92	0.96
75-80 kips	$ 1,394	($ 948)		$1,060	$ 1,506	0.72	0.78
	$13,233	($2,565)	$258	$2,304	$13,230		

*For trucks between 33-50 kips, highway use tax is retained.

**Single unit trucks >33 kips $50 + $80/kip over 33 kips.
Combination trucks <50 kips $50 + $80/kip over 33 kips.

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule C

Weight-Distance Tax Option 3
Replacement for STAA/HVUT
Federal Revenue - 1986

($ millions)

Vehicle Class	1986 STAA revenue	Effect on revenue from dropping highway use, tire and sales taxes*	Weight-distance tax revenue on vehicles > 50 kips	1986 Option 1 revenue	STAA revenue to cost ratio	Option 1 revenue to cost ratios
Autos & MC	$ 5,895			$ 5,895	1.04	1.01
Pickups & vans	$ 2,675			$ 2,675	1.13	1.10
Single units						
26 kips	$ 483			$ 483	1.10	1.07
26 kips	$ 643	($ 100)		$ 543	1.17	0.96
Combinations						
50 kips	$ 322	($ 42)		$ 280	0.95	0.81
50-55 kips	$ 191	($ 57)	$ 20	$ 154	1.20	0.94
55-60 kips	$ 191	($ 57)	$ 23	$ 157	1.20	0.96
60-65 kips	$ 191	($ 57)	$ 25	$ 159	1.20	0.97
65-70 kips	$ 191	($ 57)	$ 33	$ 167	1.20	1.02
70-75 kips	$ 1,057	($ 336)	$ 450	$ 1,171	0.92	1.00
75-80 kips	$ 1,394	($ 468)	$1,000	$ 1,926	0.72	0.97
	$13,233	($1,174)	$1,551	$13,611		

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Schedule D

Weight-Distance Tax Option 4
Replacement for STAA/HVUT
Federal Revenue - 1986
($ millions)

Vehicle class

Vehicle class	1986 STAA revenue	Effect on revenue from dropping highway use tax	Weight-distance tax revenue on vehicles >50 kips	1986 Option 4 revenue	STAA revenue to cost ratios	Option 4 revenue to cost ratios
Autos & MC	$ 5,895			$ 5,895	1.04	1.04
Pickups & vans	$ 2,675			$ 2,675	1.13	1.13
Single units						
<26 kips	$ 483			$ 483	1.10	1.10
>26 kips	$ 643	($ 100)		$ 543	1.17	0.98
Combinations						
< 50 kips	$ 322	($ 42)		$ 280	0.95	0.83
50-55 kips	$ 191	($ 57)	$ 43	$ 177	1.20	1.11
55-60 kips	$ 191	($ 57)	$ 47	$ 181	1.20	1.14
60-65 kips	$ 191	($ 57)	$ 51	$ 185	1.20	1.16
65-70 kips	$ 191	($ 57)	$ 55	$ 189	1.20	1.19
70-75 kips	$ 1,057	($ 336)	$ 390	$ 1,111	0.92	0.97
75-80 kips	$ 1,394	($ 468)	$ 590	$ 1,516	0.72	0.78
	$13,233	($1,174)	$1,176	$13,236		

Sources: VMT and cost responsibility derived from FHWA, "Final Report on the Federal Highway Cost Allocation Study," Tables IV-15 and III-4, 1983.
STAA revenue derived from FHWA, "Alternatives To Tax On Use Of Heavy Vehicles," Report to Congress, 1984.

Attachment C

INSPECTOR	**MOTOR VEHICLE DIVISION** **TRUCK AND BUS RECORD**	STATION	SHEET NO.
INSPECTOR		TIME	DATE

	ACCOUNT #	CHK DGT	A/C TYPE	ARIZONA MILES	VEHICLE WEIGHT	UNIT NUMBER		ACCOUNT #	CHK DGT	A/C TYPE	ARIZONA MILES	VEHICLE WEIGHT	UNIT NUMBER
1							21						
2							22						
3							23						
4							24						
5							25						
6							26						
7							27						
8							28						
9							29						
10							30						
11							31						
12							32						
13							33						
14							34						
15							35						
16							36						
17							37						
18							38						
19							39						
20							40						

↑ ● 46-5702 R6/82 ACCOUNT TYPE → U - USE FUEL - MOTOR CARRIER B - BOTH

Attachment D
Prepared by AASHTO
February 21, 1984

COMPARISON OF EXISTING HEAVY VEHICLE USE TAX TO ALTERNATIVES

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Description	A tax on the use of any highway motor vehicle which has a taxable gross weight of at least 33,000 pounds and used more than 5,000 miles of public highways (PL 97-424 Sec 513(a)).	Any highway use tax that uses both operating vehicle weight and distance traveled on public highways over a specific time period to establish the tax liability of a specific vehicle or fleet of vehicles (513g, p. VI-8). Operating vehicle weight may be registered (declared) gross weight, axle weight or number of axles (Oregon, p. 4).	Any highway use tax that uses both actual vehicle operating weight and distance traveled on public highways for each vehicle trip (513g, p. VI-8).	An increase in existing diesel fuel tax for highway motor vehicles with a gross vehicle weight in excess of 10,000 pounds (H.R.2124-S.1445).	A tax utilizing a portion of both the existing STAA/HVUT and the proposed diesel differential tax (PTCA p. 8 NMCAC, DOT 513g alternatives 1 through 7, et al).
Impact on Existing Tax	No effect as this is an existing tax.	Could be utilized in lieu of any individual existing tax, all existing taxes, or any combination of taxes. Generally believed to replace all existing taxes except fuel taxes.	Same as weight distance tax.	H.R.2124 and S.1475 would repeal STAA/HVUT.	Proponents would repeal STAA/HVUT.
Revenues	At the time of enactment the HVUT was estimated to generate $4.9 billion for FY83-FY88 whereas it is currently estimated by the U.S. Treasury at $5.7 billion. The total revenue from all taxes in STAA was originally estimated to be $72.2 billion for FY83-FY88 whereas it is now estimated to be $73.3 billion. For FY84-FY88 the total tax is now estimated to be $65 billion. Truck tax portion of the total taxes was estimated to be 28 percent or $17.8 billion whereas they are now estimated to be 26.4 percent of $17.18 billion. (513g-VI7)	Could be established and subsequently adjusted to generate any desired amount of revenue.	Same as weight distance tax.	Same as weight distance tax but H.R.2124 would generate only $62.8 billion ($2.2 billion less than STAA) for FY84-FY88. DOT computes revenue based on 5.7 miles per gallon for FY85 and 6.4 mpg for FY89; ATA uses 4.8 mpg. It is anticipated that the average mpg will improve considerably as new energy saving technology is put in use, thus further reducing revenue generated by a fuel tax. Reportedly, a .05 mpg saving would reduce STAA rates by $134 for an 80,000 pound vehicle traveling 105,000 miles per year.	Same as weight distance tax but PTCA proposal for FY84-FY88 would generate only $63.8 billion ($1.2 billion less than STAA) and NMRAC would generate only $62.7 billion ($2.3 billion less than STAA). DOT alternative 4 generates $65 billion-the same as STAA.

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Rates	33,000 to 55,000 pounds at $50 a year, plus $25 for each 1,000 pounds or fraction in excess of 33,000 pounds. 55,000 to 80,000 pounds at $600 a year plus a graduated rate between 1984 and 1988 of $40 to $52 for each 1,000 pounds or fraction in excess of 55,000 pounds. The maximum tax ranges from $1,600 in 1984 to $1,900 in 1988 and thereafter. 80,000 pounds or more at the maximum tax. (PL 97-424 Sec. 513(a))	A graduated schedule of fixed rates expressed in terms of registered gross weight, axle weight, or number of axles. The rate expressed in the schedule would depend on the amount of revenue desired, ratio to cost responsibility to be attained, and categories of vehicles to be included. For example, to replace existing retail excise, heavy truck use and tire taxes with equal revenue for fiscal year 1985 a weight distance tax rate for combination vehicles would range from 1.94 cents per mile for 33,001 to 35,000 pound vehicles to 4.56 cents per mile for 80,000 pound vehicles. (513g-VI 13) For a tax to replace HVUT only the range would be 3/4 of a cent per mile for 70,000 pound vehicles to 5.05 cents per mile for 80,000 pound vehicles. (Sydec VI-12)	A flat fee for each ton-mile of operation creating a different rate for each vehicle trip depending upon the actual weight of the cargo for that trip. No suggested rates have been developed.	The amount of cents per gallon would depend upon the amount of revenue to be raised. H.R.2124 would impose an additional 5 cents per gallon or a total tax of 14 cents. Only 12.44 cents would go to the highway trust fund as STAA provides that 1/9 of all diesel tax go to the public transit trust fund. Five cents per gallon translates to about one cent per mile for heavy trucks.	There could be an infinite number of combinations of rates depending upon the ratio between the added diesel tax and the truck use tax applicable to different vehicle weights. For example, the PTCA proposal would increase the diesel tax 2 cents per gallon and impose a use tax of $4 per 1,000 pounds for vehicles less than 55,000 pounds and one-half of STAA/HVUT (max. $950) for vehicles over 55,000. DOT-4 would increase the diesel tax 6 cents per gallon and impose a use tax of $50 plus $24 per 1,000 pounds for vehicles over 55,000 pounds (max. $650).

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Equity -(Expressed as a ratio of revenue to highway cost responsibility as determined by the Federal Highway Cost Allocation Study where 1.00 is the perfect ratio.)	Ratio for heavy trucks over 75,000 pounds is .66 and 1.14 for single unit trucks--i.e., heavy trucks underpay and single unit trucks overpay. (513g, VI-6) This represents an improvement over the previously existing low where the ratio was .60 for heavy trucks and 1.95 for single unit trucks but is considerably less than recommended by the Administration which was .84 for heavy trucks and 1.09 for single unit trucks. (513g-II-11) Trucks with relatively low mileage overpay due to lump-sum tax per vehicle (Sydec VI-7)	Assuming the tax replaces all existing taxes except fuel, ratio would be .93 for both heavy trucks over 75,000 pounds and single unit trucks. For the tax to replace only the HVUT the ratio would be .88 for heavy trucks and 1.12 for single unit trucks (Sydec VI 20-21)	This alternative was not considered in any major study. It is assumed the ratio could be comparable to the weight-distance tax.	Ratio for H.R.2124 would be .58 for heavy trucks and 1.19 for single unit trucks. (513g-II-11, VI6). This ratio is worse than the .60 ratio which existed prior to STAA. For a diesel tax amounting to 7.9 cents (amount required to generate revenue to replace STAA/HVUT) the ratio would be .67 for heavy trucks and 1.26 for single unit trucks. (Sydec VI-16) Vehicles with relatively poor fuel efficiency overpay since they pay more in fuel taxes on a per mile basis. (Sydec VI-7)	Ratio would vary depending upon alternative. The ratios for all of the alternatives considered by DOT would be comparable or worse than the ratios for STAA. None of DOT alternatives would achieve the .84 ratio for heavy trucks recommended by DOT before STAA. (513-II-11, VI-6) For the PTCA proposal the ratio would be .63 for heavy trucks and 1.15 for single unit trucks. For the NMAC proposal the ratio would be .59 for heavy trucks and 1.16 for single unit trucks. The seven DOT proposals range from .60 to .68 for heavy trucks and 1.15 to 1.27 for single unit trucks. For DOT-4 the ratio would be .67 for heavy trucks and 1.17 for single unit trucks.

Issue	STAA Heavy Vehicle Use Tax (HVUT)	Weight Distance Tax	Ton-Mile Tax	Diesel Differential Tax	Combination Diesel Differential & HVUT
Administrative and Compliance Costs (annual to both the federal government and the states)	$171 million. Conceivbly a taxpayer could file 12 forms a year. Number of returns processed exceeds those of any other highway tax. Difficulty defining taxable gross weight. (513g-VII-8)	$122 million. This is the lowest amount for any of the alternatives because it will recover an estimated $38 million of other taxes presently being evaded. "While administrative costs will vary depending on the extent to which mileage is verified, States that impose weight-distance taxes have been able to keep administrative costs low." For example, Oregon ranges from 5 to 7 percent (513g-VII-11); Arizona is less than 3 percent. These costs can be expected to be reduced for a national tax because it would not be necessary to account for mileage by state. "If a mileage record were to be established at the state level first, a weight-distance tax could be administered more expeditiously and cost effectively." (513g-VII-11) Will reduce ability of motor carriers to avoid payment of prorated state registration fees and fuel use taxes (Sydec VI-24)	Amount not available but estimated to be considerably larger than any other alternative. Records must be maintained for each vehicle trip creating a burden on industry and a large enforcement cost due to considerable amount of detailed auditing required.	$211 million. Federal and state governments presently experiencing difficulties due to large number of returns required, diversion of home heating oil to vehicle use, and large number of exemptions necessitating refunds to more people than paying the tax. These problems will be exacerbated if the tax is increased. (513g VII-9)	Amount not available but estimated to be larger than for weight distance tax because it combines a portion of the costs applicable to both the HVUT and diesel differential tax. (513g VII-10).

Sources: Surface Transportation Assistance Act of 1982 (STAA).
U. S. Department of Transportation "Report on Alternatives to Tax on Use of Heavy Trucks" (513g).
AASHTO Study on Motor Carrier Taxation and Registration Issues (Sydec).
Oregon's Weight-Distance Tax: Theory and Practice by Merriss and Henion (Oregon).
Questions and Answers on Weight-Distance Taxes (Arizona).
Private Truck Council of America testimony before Senate Committee 2/1/84 (PTCA).

Mr. GIBBONS. All right, Mr. Bridwell.

Mr. BRIDWELL. Mr. Chairman, members of the committee, I would like to make just four points, and I will try to do it briefly and in summary form.

First is that we have had a lot of discussion this morning on the equity and fairness issues. I would point out to you that the heavy vehicle use tax approved by this committee and enacted by the Congress in 1982, increased the equity which previously prevailed and put more of the burden on the heavier classes of trucks in accordance with the Federal highway cost allocation study. We supported the highway cost allocation study as well as the whole effort of the Congress in 1982.

One of the problems with the diesel differential tax that is being considered—and it is one of the principal considerations of this committee—is that it moves in exactly the opposite direction. In other words, it reduces the equity which was established in 1982.

You've already heard the principal points in the sense of percentages or the change in equity. So the overwhelming point is that the equity would be reduced; namely, that the heavier trucks would pay less in terms of their cost responsibility under the diesel differential purposes than they do under the heavy vehicle use tax, and would move in the wrong direction from what Congress established in 1982.

The second major point I would like to make is that what has not been discussed here to any extent is the problem of evasion of a diesel differential tax. Anytime you have a differential in a tax such as a fuel tax, the differential by definition creates an incentive for evasion.

In our study, we identified two major areas in which evasion can and, we believe, would occur.

One is the use of what otherwise would be home heating oil for use by diesel vehicles. It is a different grade, but clearly and acceptable grade of fuel for a diesel truck, and we believe that that opens up an awful lot of opportunity for evasion.

The second, of course, is, as you know, there are many exemptions for agricultural uses of diesel fuel, and we believe that offers another major potential for evasion. If one is to really consider a diesel differential tax, then we would urge you to do exactly what two Provinces of Canada have done primarily to overcome the evasion problem.

They started adding color to fuel in order to demonstrate the difference between fuel which was eligible for diesel over-the-road trucks, as distinct from other kinds of diesel fuel uses. I would note to you that in the Province of Quebec, in the first year after they introduced the fuel dyeing program, the revenue from the diesel fuel went up 34 percent.

In the second Province, it was phased in over a 3-year period, switching originally from the distributor back to the refiner. It took 2 years to do that, and the respective changes in revenue went up by 24, 63, and 67 percent. So it does give one a pretty good clue as to the potential for evasion by this kind of a differential tax.

The third point I would make is that what we have recommended for your consideration, namely, a substitute of a weight/distance tax, not only for the diesel differential tax, but for all other taxes, including the sales tax at the retail level and the excise tax on tires and tubes, is clearly the most equitable in the sense of total cost to all parties involved.

In other words, as compared with the heavy vehicle use tax and the complications of a two kind of system, a continuation of partial heavy vehicle use tax and diesel differential, that going to a Federal weight/distance tax has the lowest total cost of all of the alternatives we have considered.

I urge you to have your staff read and get the summary of this report which resulted from the study which Mr. Ordway mentioned.

Mr. **Gibbons**. What study is that again?

Mr. **Bridwell**. It is before the committee, and I believe each member has a report of it, and it is final report to the American Association of State Highway and Transportation Officials, and the title is AASHTO Study of Motor Carrier Taxation and Registration Issues, dated December 1983.

Mr. **Gibbons**. All right.

Mr. **Bridwell**. One final point, if I may.

It's quite clear to us that the trucking industry has some legitimate points in terms of the heavy vehicle use tax. One of them, of course, is the fact that the heavy vehicle use tax is a flat tax, and therefore gives no reflection to the difference in mileages of a truck. Whether it is a low mileage or a high mileage truck, we think that is a reasonable and legitimate concern on their part.

Another one, of course, is that they claim this to be an up-front cost. Frankly, that would have made sense last year. It does not this year, simply because they were excused from paying these taxes for a full year, whereas all other taxes in the Surface Transportation Act of 1982 went into effect last April.

Therefore, if one were to continue the heavy vehicle use tax, in fact, they would be paying those rates, but they would be paying them 1 year after they have had the advantages of the Surface Transportation Act. So the up-front part of it, frankly, doesn't hold a lot of water in the current circumstances.

They have heavily addressed the up-front costs of the heavy vehicle use tax, but it's also obvious that the sales tax on new trucks and the excise tax on tires and tubes, by definition, is an up-front cost and a heavy outlay, and that particularly affects the small truckers who must pay that heavy lump sum sales tax on their equipment at the time of initial purchase, even though they can amortize it over time.

Once again, we would submit that a weight/distance tax that eliminates all Federal taxes except fuel tax is a much more appropriate way to do it. It is, in fact, a true reflection of equity and a true reflection of pay as you go.

The final point I would make, and it has been discussed here today, is that to the best of our knowledge, this would be the first time the Congress ever enacted a tax in which those which were to be taxed were lesser in number, both by vehicles and ownerships, than those who theoretically should be exempt but, in fact, could get an exemption only through a rebate system.

We estimate that there are 2.4 million trucks weighing more than 10,000 pounds in the United States compared with 1.1 million weighing under 10,000, and 2.5 million diesel automobiles. Therefore, there are 2.4 million trucks as compared with 3.5 million vehicles which would have to pay this tax and then go through the rebate system. Obviously, the difference between those paying the tax and those claiming a rebate is greater than 1.5 million because so many of the heavier trucks are fleet trucks, and most of the lighter trucks and automobiles are single ownership. Then, when you go to the ownership question, the percentage gets even greater and disproportionate.

You have also heard from the Treasury Department representative this morning that they were thinking of a tax deduction system in which the deduction would be on a tabular form on an average distance driven per year and gallons of fuel consumed. The specific range was mentioned of $16 to $20.

Now, it is a very simple calculation to find that a diesel automobile that gets 20 mile per gallon, which is conservative, and is driven 12,000 miles per year, with a diesel differential of 6 cents, would be paying $36 as compared with a standard deduction that was stated here of $16 to $20.

So once again, to the extent that this is adopted and is in the form of a tax deduction, then it is quite clear that the individual motorist does not get back the taxes paid unless he keeps very extensive records, and therefore adds to the inequity of the small truck and the automobile subsidizing the heavier truck.

That completes my testimony, Mr. Chairman.

Mr. Gibbons. Thank you.

Ms. Parcells.

STATEMENT OF HARRIET PARCELLS, DIRECTOR, ENERGY CONSERVATION AND TRANSPORTATION PROJECT, ENVIRONMENTAL POLICY INSTITUTE; ALSO ON BEHALF OF THE SIERRA CLUB, FRIENDS OF THE EARTH, AND THE NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Ms. Parcells. Mr. Chairman and members of the committee, I want to thank you for the opportunity to testify today on alternatives to the heavy vehicle use tax enacted in the STAA of 1982.

My name is Harriet Parcells, and I'm director of the energy conservation and transportation project at the Environmental Policy Institute.

I also represent today the following environmental and transportation and organizations: Friends of the Earth, the Sierra Club, and the National Association of Railroad Passengers.

I will summarize my testify and request that my full statement be inserted in the record.

Mr. Gibbons. Yes, ma'am, it will be.

Ms. Parcells. Over the past several years, EPI has conducted indepth research on the subject of pavement damage caused by heavy vehicles, findings of Federal and State high-cost allocation studies, and tax equity. Our research on these issues is contained in a report, "Heavy Truck Subsidies: Need for a National Weight/Distance Tax," which I have here, and we will be submitting as part of the record.

EPI carefully followed enactment of the STAA of 1982 and supported the increased heavy truck taxes to bring equity to the highway user fee structure. While EPI and the other groups we represent today believe the taxes enacted greatly improve tax equity among highway users, we recommend implementation of a national weight/distance tax as a best means of achieving tax equity, as we will discuss further.

While the heavy truck use tax enacted in the STAA greatly improved the past tax structure, it perpetuates certain equity problems. First, the use tax which is graduated by weight is insensitive to mileage traveled, as others have mentioned this morning.

Second, despite cries by the trucking industry that the tax is both onerous and unfair, we should be reminded that the tax on the heaviest trucks is significantly lower than levels needed to bring equity.

The Department of Transportation had originally recommended to OMB a maximum use tax of $3,900 per year for the heaviest trucks. Yet, after OMB review and congressional compromise, a maximum tax of $1,900 per year was enacted, approximately one-half the DOT recommended level to bring equity, and does not become fully effective until 1988.

Productivity gains for the trucking industry, by contrast, such as increased length, width, and weight and doubles became effective months after enactment—improvements estimated by DOT at $5 billion in 1985. Use taxes such as the fuel taxes, registration fees, and sales taxes failed to adequately match tax payment with cost responsibility. The fuel tax is a poor assessor of cost responsibility because fuel consumption rises slowly in relation to weight, while pavement damage rises exponentially.

The substitution of a 5-cent diesel differential and elimination of the heavy vehicle use tax is totally unacceptable to us. It would undermine the goal of achieving equity in the highway user fee structure and shift the tax burden from heavy trucks to light trucks and automobiles which are already cross-subsidizing the heavier trucks.

It would also lead to significant revenue losses to the trust fund. DOT estimates a revenue loss of $2 billion over the 5-year period of the tax. Proposals put forth by the Private Truck Council and National Motor Carrier Advisory Committee would also shift the tax burden away from heavier trucks and lead to revenue shortfalls, and are unacceptable to us.

We similarly oppose the tax alternatives examined by DOT which would combine a reduced heavy truck use tax with an increased diesel tax, for reasons of tax equity and revenue shortfall. Technology improvements are taking place in truck engines, transmissions, aerodynamics, et cetera, that are improving truck fuel economy and will reduce truck tax payments in future years. This will lead to revenue shortfalls to the trust fund in alternatives relying on an increased diesel tax.

There is also a problem of diesel tax evasion. Diversion of home heating oil to highway vehicles as a way of avoiding the fuel tax has been a concern of Federal and State administrators for years.

Finally, the alternatives that rely on a reduced use tax and diesel differential suffer equity problems like the use tax enacted in the STAA of 1982.

The weight/distance tax does not suffer these shortcomings. It would contribute to a fairer and more efficient tax structure and would dramatically improve within class equity. Other truck taxes could be eliminated, making for a simpler tax structure.

Contrary to the assertions by opponents, experience with the weight/distance taxes in effect has demonstrated they are neither costly nor more difficult to administer than other types of highway taxes. Similarly, allegations by the trucking industry that a weight/distance tax places a tremendous burden on motor carriers subject to it are not supported by State experience.

Weight/distance taxes require only two kinds of recordkeeping information: registered truck weight and number of miles traveled. Both are already collected by most States, and/or required by the Federal Government.

Neither does the weight/distance tax impose a significant financial burden. In Oregon, the weight/distance tax averaged 3.4 percent of total truck operating costs in 1976. This cost dropped to 2.7 percent in 1979. In fact, DOT found in its study that user charges as a percent of total vehicle costs would fall in 1985 compared to 1977.

In conclusion, the Environmental Policy Institute and the other groups we represent today find that a weight/distance tax represents the most equitable heavy truck tax and recommend its implementation in lieu of the tax structure in the STAA of 1982.

We strongly oppose changes to the existing heavy truck use tax which would substitute a diesel differential or a diesel differential and reduced use tax. Such options reestablish tax inequities which the STAA sought to eliminate and unfairly shift the tax burden from the heaviest trucks to lighter trucks and other highway users. It will also result in revenue shortfalls.

If any change is made, it should be to implement the most equitable tax, the weight/distance tax.

Thank you. That concludes my statement.

[The prepared statement follows:]

STATEMENT OF HARRIET PARCELLS, ON BEHALF OF THE ENVIRONMENTAL POLICY INSTITUTE, FRIENDS OF THE EARTH, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS, AND SIERRA CLUB

Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify here today on alternatives to the heavy vehicle use tax enacted in the Surface Transportation Assistance Act of 1982 (STAA of 1982). My name is Harriet Parcells and I am Director of the Energy Conservation and Transportation Project at the Environmental Policy Institute (EPI). EPI is a private, non-profit organization that works with citizens groups across the country on a variety of environmental, energy and transportation issues. I am also representing the following environmental and transportation organizations: Friends of the Earth, the Sierra Club and the National Association of Railroad Passengers.

Over the past several years, EPI has conducted in-depth research on the subjects of payment damage caused by heavy vehicles, findings of federal and state highway cost allocation studies and tax equity. Our research on these issues is contained in a report," Heavy Truck Subsidies: Need for a National Weight-Distance Tax," September 1983, submitted as part of our testimony.[1] EPI carefully followed enactment of the STAA of 1982 and supported increased heavy truck taxes to bring equity to the highway user fee structure.

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[1] The Executive Summary of the report is printed as an attachment to this statement. The full report has been retained in the Committee files.

While FBI and the other groups we represent today believe the taxes enacted improved tax equity among highway users, we recommend implementation of a national weight-distance tax as the best means of achieving tax equity. Experience in states with a weight-distance tax has shown that such a tax is administratively feasible, and, contrary to assertions by opponents, does not pose a significant financial or record-keeping burden for trucks subject to it. We strongly oppose substitution of a five cent diesel differential in place of the heavy truck use tax, as advocated by the trucking industry. Such a proposal would recreate tax inequities which the STAA of 1982 significantly reduced, and would lead to major revenue shortfalls to the highway trust fund. We simiarly opposed other alternatives of reduced use taxes and increased diesel taxes, discussed by DOT. If any tax change is made it should be to implement the most equitable heavy truck tax, a weight-distance tax.

BACKGROUND ON HEAVY TRUCK TAX INCREASES

The need for heavy truck tax increases had been clearly shown by the recent federal highway cost allocation study (May 1982) and studies conducted by states throughout the country such as Ohio, Florida, Georgia, Mississippi, Oregon, Colorado and others. The federal highway cost allocation study found that combination trucks were paying only 60 percent of their cost responsibility and the heaviest combination trucks (over 75,000 lbs.) only 45 percent. Automobiles and light trucks, by contrast, were found to be overpaying and cross-subsidizing the heavier vehicles. The DOT paper on alternatives to the heavy truck tax submitted to Congress in January 1984, indicated that the payment cost responsibility of the heaviest combination truck is 5.71 cents per mile, while that of a passenger car is only .08 cents per mile (See Attachment 1).

While the heavy truck use tax enacted in the STAA of 1982 greatly improved the past tax structure, it perpetuates certain equity problems. First the use tax, which is graduated by weight, is insensitive to mileage travelled. Thus, two trucks in the same weight category are assessed the same annual use tax regardless of the variations in mileage travelled (i.e., one may travel 70,000 miles/year and the other twice that). Secondly, despite cries by the trucking industry that the tax is both unfair and onerous, the tax on the heaviest trucks is significantly lower than levels needed to bring equity. The Department of Transportation had originally recommended to OMB a maximum use tax of $3,900/year for the heaviest vehicles. Yet after OMB review and Congressional compromise, a maximum tax of $1,900/year was enacted—approximately half the DOT recommended level to bring equity—and does not become fully effective until 1988. Productivity gains for the trucking industry by contrast, such as increased lengths, widths, weight, and doubles became effective within months after enactment—improvements estimated by DOT at $5 billion in 1985. As DOT states in its July working paper,

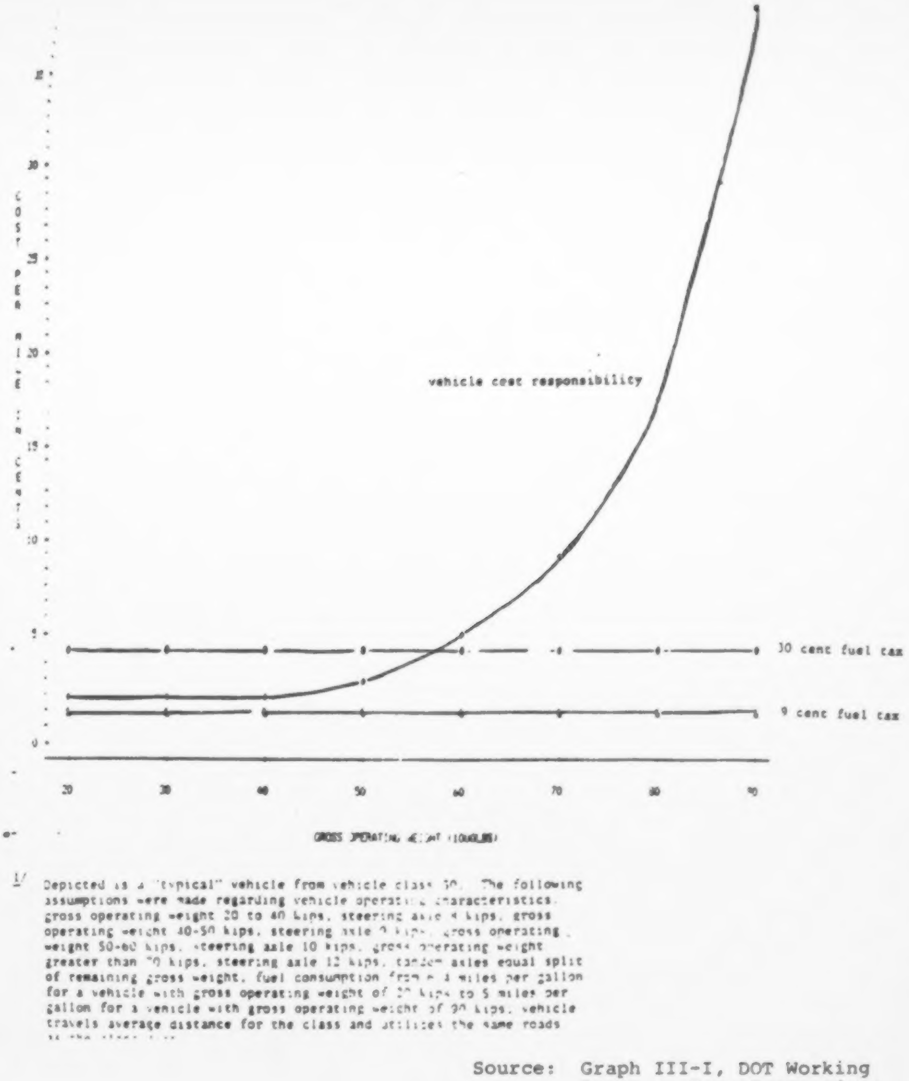
"Even with the significant increase in the heavy vehicle use tax (it would not) fully correct for the underpayment by the heavier vehicle class." (p. II-12).

SHORTCOMINGS OF DIESEL TAXES AND USE TAXES

Use taxes such as fuel taxes, registration fees and sales taxes fail to adequately match tax payment with cost responsibility. The fuel tax is a poor assessor of cost responsiblity because fuel consumption rises slowly in relation to weight while pavement damage rises exponentially. The overall cost responsibility of a typical 80,000 lb. truck is double that of a typical 50,000 lb. truck, yet, the 80,000 lb. truck uses only about 14 percent more fuel than the 50,000 lb. vehicle. Figure 1, taken from the DOT January 1984 Paper (p. III-7, Graph III-1), graphically shows that fuel tax payment alone is a highly inadequate means of taxing heavy vehicles for cost responsibility. Registration fees also fail to match cost responsibility because they do not distinguish between two vehicles in the same weight category which travel different mileage or the same vehicle which travels different mileage from year to year.

FIGURE 1

COST PER MILE BY GROSS OPERATING WEIGHTS
(for a 3S2)



1/ Depicted as a "typical" vehicle from vehicle class 30. The following assumptions were made regarding vehicle operating characteristics: gross operating weight 20 to 40 kips, steering axle 8 kips, gross operating weight 40-50 kips, steering axle 9 kips, gross operating weight 50-60 kips, steering axle 10 kips, gross operating weight greater than 60 kips, steering axle 12 kips, tandem axles equal split of remaining gross weight, fuel consumption from 6.4 miles per gallon for a vehicle with gross operating weight of 20 kips to 5 miles per gallon for a vehicle with gross operating weight of 90 kips, vehicle travels average distance for the class and utilizes the same roads as the class [illegible]

Source: Graph III-I, DOT Working
Paper on Tax Alternatives

The substitution of a five cent diesel differential and elimination of the heavy truck use tax is totally unacceptable. It would undermine the goal of achieving equity in the highway user fee structure and shift the tax burden from heavy trucks to light trucks and automobiles, which are already cross-subsidizing the heavy trucks. It would also lead to significant revenue losses to the highway trust fund. DOT estimates a revenue loss of $2 billion over the five year period of the tax. Proposals put forth by the Private Truck Council and National Motor Carrier Advisory Committee would similarly shift the tax burden away from heavy trucks and lead to significant revenue shortfalls and are unacceptable.

The Department of Transportation examined a number of tax alternatives which would combine a reduced heavy truck use tax with an increased diesel tax. We oppose these alternatives as well, for reasons of tax equity and revenue shortfall. Technology improvements are taking place in truck engines, transmissions, aerodynamics, etc., that are improving truck fuel economy and will result in reduced truck tax payments in future years. This will lead to revenue shortfalls to the trust fund in alternatives relying on an increased diesel tax. There is also a problem of diesel tax evasion. Diversion of home heating oil to highway vehicles, as a way of avoiding the fuel tax, has been a concern of federal and state administrators for many years. Finally, alternatives that rely on a reduced use tax and diesel differential suffer equity problems like the use tax enacted in the STAA of 1982. The tax burden would again be shifted from the heavy high mileage trucks to lighter and low mileage trucks. Heavy trucks travel far more miles than lighter vehicle classes—vehicle classes through class 21 (all single unit trucks, several classes of combinations) average less than 30,000 miles of travel per year. By contrast, over half the heaviest combination trucks (over 75,000 lbs) travel 70,000 miles or more per year.

NEED FOR A WEIGHT-DISTANCE TAX

The weight-distance tax does not suffer these shortcomings. It taxes heavy vehicles according to their total gross vehicle weight and the miles travelled. DOT stated that a weight-distance tax would "contribute to a fairer and more efficient tax structure" and would "dramatically improve within class equity". Other truck taxes could be eliminated such as the tire and sales tax, making for a simpler tax structure. A weight-distance tax is supported by a wide spectrum of organizations, including: state highway and transportation officials; public interest organizations such as the Environmental Policy Institute, Friends of the Earth, the Sierra Club and the National Association of Railroad Passengers; the American Automobile Association; and many transportation commissions and districts. The Policy Committee of the American Association of State Highway and Transportation Officials stated: "It is (further) recommended that a national weight-distance tax be considered as a more equitable tax approach with administration and collection to be structured at the state level."

Under a weight-distance tax, a graduated tax schedule is established whose rate increases with vehicle weight and mileage travelled. The tax could be paid on a monthly basis, eliminating a large "lump sum" payment (as in the use tax) to which the trucking industry has voiced objection.

ADMINISTRATION OF A WEIGHT-DISTANCE TAX

Contrary to assertions by opponents, experience in states with weight-distance taxes in effect has demonstrated that they are neither costly nor more difficult to administer than other types of highway taxes. The state of Oregon has had a weight-distance tax in effect since 1947 and found that the cost of administering the tax is less thn 4 percent of gross collections. The experience of Idaho, New York and Ohio are similar (see Table 1 below).

Table 1.—State administrative costs for weight/distance tax

[Cost as percent of revenue]

State:	
Arizona	0.7
New Mexico	0.7
New York	2.4
Ohio	3.0
Oregon	3.7
Idaho	5.0

Source: EPTOW in Illinois, based on conversations with State Transportation Officials.

Auditing staff in the states with weight-distance taxes monitor compliance with the tax. It is worth noting here that in Oregon the auditing staff "pays its own way". Total audit expenses of $1.7 million were far outweighed by total audit recoveries of $2.5 million. If the federal government implemented a weight-distance tax, the size of the auditing force and associated costs could be minimized if the federal government worked out a cooperative agreement with the states.

WEIGHT-DISTANCE TAX IS NOT A BURDEN TO TRUCKING FIRMS

Allegations by the trucking industry that a weight-distance tax places a tremendous burden on motor carriers subject to it are not supported by state experience.

Weight-distance taxes require only two kinds of record-keeping information: registered truck weight and number of miles travelled. Both are already collected by most states and/or required by the federal government. Motor carriers are required to declare the maximum gross weight of their trucks for the federal highway use tax and for registration in many states. All but two states now require interstate truckers to file mileage reports and maintain trip records for each truck subject to fuel use laws or the International Registration Plan (IRP), a multi-state vehicle registration plan. While states do not now require mileage records from intrastate carriers, the added enforcement costs of a federal requirement for these vehicles would likely be modest as most would fall below the weight threshold that could be set for a weight-distance tax (i.e., threshold at 50–55,000 lbs.). Alternatively, intrastate trucks could be given the option of continuing to pay a flat annual fee. Thus, implementation of a weight-distance tax does not pose a record-keeping burden for motor carriers beyond information they are already required to keep.

Neither does such a tax pose a financial burden on the carriers. For example, the tax burden on trucks subject to the Oregon weight-distance tax averaged 3.4 percent of total truck operating costs in the state in 1976. This cost dropped to 2.7 percent in 1979 as other operating costs became bigger factors for trucking firms (i.e., labor costs and fuel). A federal tax would, similarly, only constitute a small portion of total operating costs. The Department of Transportation found, in its highway cost allocation study, that each of the tax increase options presented in the study would have only a small impact on any of the vehicle classes. The percent increase in operating expenses under any of the alternatives (compared to a continuation of the existing tax structure) would be less than two percent and for the heaviest combinations (over 75,000 lbs.), less than 3.4 percent. Moreover, DOT found that user charges as a percent of total vehicle costs will fall in 1985 compared to 1977.

CONCLUSION

In conclusion, the Environmental Policy Institute and other groups we represent today find that a weight-distance tax represents the most equitable heavy truck tax and recommend its implementation in lieu of the tax structure enacted in the STAA of 1982. We strongly oppose changes to the existing heavy truck use tax which would substitute a diesel differential or a diesel differential and reduced use tax. Such options reestablish tax inequities, which the STAA of 1982 sought to eliminate and unfairly shift the tax burden from the heaviest trucks tolighter trucks and other highway users. They will also result in revenue shortfalls to the highway trust fund.

That concludes my statment. I would be happy to answer any questions of the Committee.

Thank you, Mr. Chairman.

ATTACHMENT 1

ESTIMATED FEDERAL HIGHWAY COST RESPONSIBILITY OF SELECTED VEHICLE CLASSES

[Cents per mile, 1985]

	Pavement cost responsibility	Other cost responsibility	Total cost responsibility
Automobiles and motorcycles	0.08	0.39	0.47
Pickups and vans	.16	.40	.56
Single unit trucks less than 26,000 pounds	.52	.57	1.09
Single unit trucks 26,000 pounds and above	1.83	.81	2.64

ESTIMATED FEDERAL HIGHWAY COST RESPONSIBILITY OF SELECTED VEHICLE CLASSES—Continued

[Cents per mile, 1985]

	Pavement cost responsibility	Other cost responsibility	Total cost responsibility
Combination trucks less than 50,000 pounds	2.25	1.11	3.36
Combination trucks 50,000 to 70,000 pounds	2.77	1.30	4.07
Combination trucks 70,000 to 75,000 pounds	3.97	1.52	5.49
Combination trucks 75,000 and above	5.71	1.58	7.29

Note: Assumes a $12.8 billion program; $1.1 billion transit cost allocated to vehicles based on urban VMT; $11.7 highway cost allocated to vehicles based on the highway cost allocation study.

Source: DOT working Paper on Tax Alternatives to Heavy Truck Use Tax.

HEAVY TRUCK SUBSIDIES: THE NEED FOR A NATIONAL WEIGHT-DISTANCE TAX

(By Harriet Parcells, Assistance by Cynthia Koehler, Environmental Policy Institute, September 22, 1983)

EXECUTIVE SUMMARY

ROAD DESIGN AND ROAD WEAR:

Road wear is due primarily to use. Weather and age effect pavement deterioration as well, but to a large extent their impact depends on the amount and weight of traffic passing over the road. Use is the critical factor because pavement damage increases exponentially with increases in vehicle axle weight. This was established by the American Association of State Highway Officials (AASHO) Road Test which was Congressionally mandated in 1956 to generate detailed information about highway wear for the purposes of designing the Interstate System. A "Fourth Power Rule" was derived from the AASHO results which states simply that pavement wear increases to the fourth power with increases in axle weight. The AASHO Road Test findings have been well accepted by highway officials and engineers and other highway experts ever since and serve as the basis for highway design throughout the country.

The AASHO Road Test Results indicate that a 5-axle truck loaded to the 80,000 lb. maximum has the impact of approximately 8,000 automobiles.

When the decision is made to build a road, a vehicle count is taken to estimate which vehicle classes and in what numbers will use the road. Taking travel and growth into account, a 20 year use estimate is projected for each vehicle class. While our highways were designed to last 20 years, an underestimate in the weight and/or number of heavy vehicles will cause them to reach design life prematurely.

Increased truck axle weights and increased heavy truck travel, beyond estimates used to design our highways, are causing them to wear out prematurely. The bulk of the Federal-Aid Highway System, and in particular the Interstate, was designed for vehicles at lower weight standards than those currently in place. From 1956 to 1975, the weight limits on heavy vehicles were 18,000 pounds for a single axle, 32,000 for a tandem axle and 73,280 gross vehicle weight. By the time these standards were increased in 1975, 90 percent of the Interstate was built. The standards were increased to allow up to 20,000 lbs. single axle, 34,000 lbs. tandem axle, and 80,000 lbs. gross vehicle weight. Highway officials have testified that the increase from 18,000 pounds to 20,000 could result in an average loss of remaining highway life of between 25% and 40%. An increase further, to 22,000, would result in a loss of highway life of close to 60% and 24,000 of 70%. In addition to heavier axle weights, heavy truck mileage has also increased. Truck travel increased at a rate of 7 percent since 1975, more than double that of automobiles and vehicles as a whole. Truck travel has been increasing most among the heaviest vehicles.

NATIONAL COSTS OF DETERIORATED HIGHWAYS AND BRIDGES:

The cost to arrest deterioration on our nation's highways and bridges is staggering--$282.7 billion will be needed over the next 20 years to stop deterioration on the federal-aid highway system (excluding Interstate completion costs) and an additional $48.9 billion is needed for bridge repair or replacement. Thus, an average annual investment of nearly $17 billion is needed. Revenues for maintenance and repair are not keeping pace with the need, resulting in the practice of deferred maintenance. This ultimately leads to increased costs for repair. Poor pavement also leads to increased vehicle operating costs for highway users and increased fuel consumption. It is clearly imperative that all users of the highways pay for the costs they incur.

HIGHWAY COST ALLOCATION:

To determine if the various classes of vehicles using the highways are paying their equitable share of highway costs, many states and the federal government have conducted highway cost allocation studies. The basic principle underlying cost allocation is that certain highway costs are incurred specifically to accommodate vehicles of different sizes, weights and axle loadings. These expenditures are "attributed" to these vehicles and should be paid by them. Other expenses which are not clearly linked to any particular vehicle class (i.e., basic pavement, traffic signals) are called "common" costs or "residual" costs and are assigned to all users of the highway in an equitable manner.

A cost allocation study consists of several major components: a) definition of costs to be analyzed; b) assignment of cost responsibility among various classes of vehicles using the highway; c) assessment of tax payments by each vehicle class to support the highway and a comparison with their cost responsibility to determine whether all classes are paying their "fair share" in taxes; and d) recommendations for change in the existing tax structure to correct for underpayment or overpayment in taxes by vehicle classes.

There are two major categories of highway costs: new construction costs and costs for repair of the existing system. Repair costs are more use-related and therefore, a greater percent of the costs can be "attributed" to individual vehicle classes than in new construction where more costs are "common" to all users of the highway. As highway program funding priorities shift from new construction to repair and reconstruction work, the cost responsibility of trucks, in particular, will increase.

Past federal cost allocation studies have suffered two major deficiencies: they have assigned responsibility for new pavement and repair costs in the same proportion and they have tended to be heavily weighted toward common costs. These practices result in an underassignment of costs to the heaviest vehicles. The new federal study (May 1982) represents a major improvement over earlier federal studies because it assigned new pavement and pavement repair costs according to different criteria. New pavement costs were based on current pavement design practice and pavement repair and reconstruction costs were assigned on cost-occasioning or distress criteria. As pavement costs are the largest component of federal highway expenditures, this improvement has a major impact on the study outcome.

The new methodology has been endorsed by state highway and transportation officials throughout the country and other highway experts. The trucking industry has asserted that weather and environmental factors were not considered in the new federal study. Yet, the Department of Transportation has stated that the approach specifically accounts for the effects of weather and other environmental factors. The trucking industry is virtually alone in its opposition to the new cost allocation study.

HIGHWAY COST ALLOCATION STUDY FINDINGS:

Numerous state and federal cost allocation studies have been conducted over the past years to examine the question of cost responsibility and tax equity. Despite variations in methodology, the finding of underpayment by the heaviest vehicles and overpayment by lighter vehicles emerges time and again.

The first federal cost allocation study, mandated by the Highway Revenue Act of 1956 and known as the

Section 210 Study, showed that autos were overpaying by $1.6 billion, single unit trucks by $337 million and combinations were underpaying by $65 million. The new Federal Highway Cost Allocation Study, delivered to Congress May 1982, was mandated by Congress in the Surface Transportation Assistance Act of 1978. It was the first time Congress had requested a cost allocation study since 1956. The study found that trucks as a class are responsible for fully 70 percent of pavement rehabilitation costs and 53 percent of new pavement costs. Combination trucks will be responsible for 58 percent of the pavement rehabilitation costs and 47 percent of new pavement costs in 1985. Autos, by contrast, will be responsible for only 15 percent of pavement repair costs and 34 percent of new pavement costs.

The federal study found further that the heaviest vehicles are only paying about half their cost responsibility while automobiles and light trucks are overpaying. In 1977, passenger vehicles were overpaying (111 percent of their responsibility) while trucks as a class were paying only 79 percent and the heaviest combination trucks were only paying 45 percent of their cost responsibility. The subsidy to combination trucks in 1977 totaled $738 million or an underpayment of $721 per vehicle. The heaviest combinations (over 75,000 lbs.) were being subsidized by $1,750 per vehicle.

The states of Georgia, Florida, Mississippi, Colorado and others all found significant underpayment in taxes by the heaviest vehicles and overpayment by lighter vehicles in their cost allocation studies, as shown in the table below.

SUMMARY TABLE FROM STATE HIGHWAY COST
ALLOCATION STUDIES (FOR 80,000 LB. TRUCKS)

Ratio

Hwy User Charge Payments : Hwy Cost Responsibility

State	Autos	Light Trucks	Heavy Trucks
Colorado (1981)	1.22	1.24	.56
Florida (1979)	1.04	2.15	.50
Georgia (1979)	1.03	.89	.44
Mississippi (1980)			.54
Oregon (1980)	1.00	1.25	.92
Maryland (1982)	1.17	.83	.51
Ohio (1982)	.90	2.25	.35
Federal Government (1982)	1.10	1.50	.60

A NATIONAL WEIGHT DISTANCE TAX - THE MOST EQUITABLE HEAVY TRUCK TAX:

Most existing highway tax structures are not good assessors of cost responsibility. Fuel consumption, for example, rises slowly in relation to weight while damage rises exponentially. The per-mile responsibility of a typical 80,000 lb. truck is double that of a typical 50,000 lb. truck; but the 80,000 lb. truck uses only about 14 percent more fuel. Registration fees are also deficient in matching cost responsibility. Registration fees which graduate with weight fail to reflect variations in travel by a vehicle from year to year and also assess all vehicles in the same weight class equally, despite the fact that their mileage may vary significantly. This is a major deficiency in the heavy truck use tax enacted by the Surface Transportation Assistance Act of 1982.

A weight-distance tax represents the most equitable heavy truck tax the government can implement. A weight-distance tax overcomes the inadequacies of diesel fuel taxes and registration fess, by correctly matching cost responsibility with tax payment. Under the weight-distance tax, a graduated tax schedule is set up whose rates increase with the increased weight of the vehicle.

Eight states have implemented weight-distance taxes: Arkansas, Arizona, Kentucky, New Mexico, New York, Ohio, Oregon and Idaho (two other states, Colorado and Wymoming have enacted ton-mile taxes). Experience in states with weight-distance taxes has demonstrated that the tax is no more difficult to administer than many other taxes. The information needed to implement a weight distance tax is already being collected by most states and therefore, little or no additonal recordkeeping burden is placed upon the trucking industry.

State experience also indicates that the tax is not costly to administer, contrary to assertions of opponents of the tax. Administration for weight-distance taxes has run about 3-5 percent of the revenues collected; for ton-mile taxes, the administrative costs are a little higher, 6-8 percent of revenues.

Allegations by the trucking industry that a weight-distance tax places a tremendous burden on motor carriers are not supported by state experience. Weight-distance taxes require only two kinds of recordkeeping information: registered truck weight and number of miles travelled. Both are already collected by most states and/or required by the federal government. Motor carriers are required to declare the maximum gross weight of their trucks for the federal highway use tax and for registration in many states. All but two states now require interstate truckers to file mileage reports and maintain trip records for each truck subject to fuel use laws or the International Registration Plan (IRP), a multi-state vehicle registration plan. While most states do not now require mileage records from intrastate carriers, the added enforcement costs of a federal requirement for these vehicles would likely be modest, as most would fall below the weight threshold set for a national weight-distance tax (i.e., threshold at 50-55,000 lbs.). Alternatively, intrastate trucks could be given the option of continuing to pay a flat annual fee.

Neither does such a tax impose a significant financial burden on the carriers. For example, the tax burden on trucks subject to the Oregon weight-distance tax averaged 3.4 percent of total truck operating expenses in the state in 1976. This dropped to 2.7 percent in 1979 as other operating costs became bigger factors for trucking firms (ie, labor costs and fuel). A federal tax would, similarly, only constitute a small portion of total operating costs. The federal Department of Transportation found in its highway cost allocation study that each of the tax increase options presented in the study would have only a small impact on any of the vehicle classes. The increase for combination trucks, which experienced the largest increase, would be less than 2 percent and for the heaviest combinations, less than 4 percent. Moreover, DOT found that user charges as a percent of total vehicle costs will fall in 1985 compared to 1977.

A wide spectrum of groups across the country have endorsed the concept of a weight-distance tax. The Environmental Policy Institute believes a weight-distance tax constitutes the most equitable heavy truck tax government could implement and urges adoption of such a tax at the national level.

Mr. GIBBONS. Thank you.

Let me ask you all a few questions. First of all, how do these States administer the weight/distance tax burden?

Mr. BRIDWELL. Probably the best example, Mr. Gibbons, is Oregon, which has had a weight/distance tax since 1947. Oregon is an unusual example in that its weight/distance tax substitutes for all truck taxes, including fuel.

It is administered on the basis of registered weight of the vehicle and upon the miles traveled within the State. Just two specific sets of data are needed: registered weight and miles traveled.

If we think about this applying at the national level, then exactly the same principles apply. Certainly a vast majority of States require vehicle fuel taxes for the miles driven within their States. Certainly our State does that. Also, interstate trucking companies, by and large, keep that kind of record right now.

By definition, since we are talking about registered weight, that data already exists because it is an annual registration figure. That data is already being shared among the States by a thing called the International Registration Plan. I believe 31 or 33 of the States are now members of IRP and therefore share this data. So we're not talking about a very complex record-keeping system. We're talking about a very simple one, with more than 30 years' experience in the State of Oregon where they have found that their total administrative costs for the substitution of all taxes on trucks is between 5 and 7 percent.

Mr. ORDWAY. Mr. Gibbons, if I might just complement that very quickly.

Arizona moved to weight/distance about 1½ years ago. It had no increased administrative costs, primarily because the truckers were already having to report mileage driven for fuel purposes.

And as Mr. Bridwell pointed out, it is simply a matter of declared weight and miles driven. So we have had no change in cost.

Mr. GIBBONS. Well, all right.

Now, one of the previous witnesses mentioned that there was a possibility of substitution of home heating oil for diesel fuel, thereby avoiding the tax increase.

Have you all thought about that?

Mr. BRIDWELL. Yes. Specifically, we have looked at that and it is contained in the study I referenced to the committee.

Let me give you a very practical example. In my Department in Maryland, we also are responsible for operating the mass transit system in the Baltimore metropolitan area and purely as a matter of economics, we substitute No. 2 diesel for No. 1 diesel fuel during the warm weather months as an economy matter.

Mr. GIBBONS. No. 2 is home heating oil?

Mr. BRIDWELL. No. 2 is exactly the same as home heating oil.

Mr. GIBBONS. Is that widely-understood information in the trucking industry? Why wouldn't someone just put in home heating oil in the summer time?

Mr. BRIDWELL. They very well may.

Mr. GIBBONS. They may already be doing it. Is that right?

Mr. BRIDWELL. They may already be doing it.

Our colleague and peer from the State of Pennsylvania, Secretary of Transportation Mr. Larson, has made a study of this in the last 2 years, and he estimates the evasion rate in Pennsylvania is already substantially higher than anyone had expected.

Mr. **Gibbons**. One of the things that worries me about the act we passed in 1982 and all the proposals I've seen so far is, they never do anything about all of these "grandaddied" superweight trucks. Is the weight/distance tax the best way to get at them?

Mr. **Bridwell**. It's the only way to get at it from the alternatives you have before you, because again you set your tax rates upon classes of vehicles as to whatever maximum weight exists. So as far as we are concerned, it is clearly the preferable way to get at it, and it certainly is the only way to get at it from among the proposals you have before you.

Mr. **Gibbons**. In these weight/distance taxes, is there a graduation as the weight of the vehicle goes up?

Mr. **Bridwell**. Yes.

Mr. **Gibbons**. So you really can do more equity, as one of the previous witnesses told me. I think one of you told me the weight goes up to the fourth power. The damage goes up to the fourth power, or the wear and tear—excuse me—goes up to the fourth power as the weight goes up.

Mr. **Bridwell**. Yes. You can set the rate, according to weight graduations. The more refined you graduate it, of course, you come closer to perfect equity. Like whether you go from 50 to 70 or 55 to 65. It is just the number of classes.

Mr. **Gibbons**. Do other members of the committee have questions?

Mr. Frenzel, would you like to inquire?

Mr. **Frenzel**. I simply want to thank the witnesses for their testimony.

Mr. **Gibbons**. Do you agree with them? I won't ask him that question.

Let me warn you, we will close this record very rapidly, Mr. Ordway. When your association takes a position, we would appreciate your communicating it to the staff immediately so we can get your final recommendation.

Mr. **Ordway**. We will do so.

[Additional information follows:]

American Association of State Highway
and Transportation Officials,
Washington, D.C., February 27, 1984.

Hon. Dan Rostenkowski,
Chairman, House Ways and Means, Longworth House Office Building, Washington, D.C.

Dear Mr. Chairman: During our testimony before your Committee on February 23, President William A. Ordway stated that the Executive Committee of the Association had approved a Resolution concerning federal taxation of heavy trucks but that this position had not yet been considered by the AASHTO Policy Committee and therefore could not be considered an AASHTO position. Congressman Gibbons, Acting Chairman, requested the Committee be informed as soon as AASHTO adopts a policy regarding this matter. I am pleased to respond to this request at this time.

The AASHTO Policy Committee met on February 24 and, with more than two-thirds of the states' approval, adopted the previously approved Executive Committee Resolution included with our testimony. For your convenience a copy of the Resolution indicating approval by the Policy Committee is attached.

In brief, AASHTO believes that if Congress changes the existing heavy vehicle use tax, the substituted tax should be at least revenue neutral for highway purposes and provide equal equity among some highway users and be administratively efficient. AASHTO believes that to accomplish these goals Congress should consider a state administered weight-distance tax to replace all other federal highway user charges except fuel taxes.

AASHTO believes that the states generally have in place mechanisms for reporting the weight of heavy trucks and the miles they travel, and procedures and personnel for verification of these data. In this regard and in order to address an issues of considerable concern to the motor vehicle industry, the AASHTO Policy Committee also considered and adopted by the required two-thirds vote of all the states a Resolution concerning uniformity of state regulation and taxation of motor carriers. A copy of the Resolution is attached. This Resolution varies slightly from that included with our testimony in that the third sentence of Resolve (2) has been expanded, by adding the clause "and, when feasible, based on percentage of mileage driven in each state."

Again, I wish to point out that AASHTO developed these policy positions after an in depth six-month review by a specially formed Steering Committee composed of chief administrative officers of 13 states and the engagement of System Design Concepts, Inc. and Harold A. Hovey as consultants. A copy of their report was previously provided members of your Committee. We believe our analysis is in greater depth than has ever been done before.

We trust these policy statements of AASHTO will be of assistance to your Committee as it considers taxation of heavy trucks. We stand prepared to respond to any questions you may have, or to provide further assistance where possible.

Very truly yours,

Francis B. Francois, *Executive Director.*

Attachments.

[From the American Association of State Highway and Transportation Officials]

Resolution Concerning Federal Taxation of Heavy Trucks

Whereas the Congress in the Surface Transportation Assistance Act of 1982 has enacted needed funding for highway purposes and a system of taxation to achieve such funding;

Whereas the U.S. Department of Transportation is conducting studies examining alternative methods of taxing heavy trucks;

Whereas the Congress is likely to consider alternative taxes for heavy trucks during its session in 1984;

Whereas the nation's state highway and transporation officials have a vital interest in truck taxes that adequately finance the nation's highway system and provide equity in paying for that system;

Whereas the member departments of AASHTO have conducted a detailed analysis of alternative methods of taxing heavy trucks under the guidance of a Steering Committee, which was concluded on December 31, 1983 with the submittal of a final report that evaluates the fairness and practicality of the alternatives;

Whereas the Steering Committee study found that truck taxes based upon a combination of the weight of vehicles and the distance they travel more equitably distribute financing responsibility proportional to costs imposed on the system than other tax alternatives;

Whereas the Steering Committee study found that truck taxes based on a combination of the weight of vehicles and the distance they travel provide greater equity than a tax based on either of these two factors alone;

Whereas the existing federal excise taxes on truck sales and tires represent a one time payment in advance of highway use causing a greater burden on motor carriers than taxes which are paid periodically based on use; and

Whereas the states generally have in place mechanisms for reporting of the weight of heavy trucks and the miles they travel and procedures and personnel for verification of these data;

Now Therefore be it Resolved:

(1) No truck tax should be substituted for the current heavy vehicle use tax unless such tax raises at least equal revenues for highway purposes, provides at least equal equity, and is administratively efficient.

(2) A federal weight-distance tax should be considered as a replacement for the heavy vehicle use tax and all other federal highway user charges except fuel taxes. This tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

(3) Such a tax should be administered by state governments with federal reimbursement for the costs involved.

(As adopted by the AASHTO Policy Committee meeting in Washington, D.C. on February 24, 1984, by more than the required two-thirds majority of all the states.)

[From the American Association of State Highway And Transportation Officials]

RESOLUTION CONCERNING UNIFORMITY OF STATE REGULATION AND TAXATION OF MOTOR CARRIERS

Whereas current state practices result in multiple state registration and tax reporting requirements which cause higher administrative costs for states and compliance costs for motor carriers than necessary;

Whereas some persons are seeking to use this situation to eliminate certain state taxes and others are seeking to use it to give unprecedented authority over state taxes and registration procedures to the federal government;

Whereas the states have demonstrated, in the International Registration Plan, that multi-state arrangements which allocate tax revenues by mileage in each state are feasible and reduce paperwork and reporting burdens for motor carriers without jeopardizing state revenues.

Now Therefore be it resolved:

(1) There should be no federal restrictions on the ability of the states to enact and set the rates of major highway use taxes based upon registration, fuel purchase and use, and the weight of the vehicle and distance traveled.

(2) That uniformity be achieved at a minimum for registration and fuel use reporting through a system premised on base state reporting of mileage and fuel purchased by state. This system would cover both inter- and intra-state trucks and encourage a single institutional contact and a single form for reporting in each state. In addition, efforts to achieve uniformity specifically should exclude any proposal that would limit the states' ability to determine type and rate of taxation, such type and rate of taxation being equally applicable to interstate and intrastate trucking, and, when feasible, based on percentage of mileage driven in each state. There should be an institutional mechanism to administer and enforce the unfiorm system. This institutional mechanism would have certain basic functions including data processing and central storage and retrieval, exchange of data from required reported of motor carriers and from all field data relating to enforcement, administration of a combined IRP and fuel tax, and establishment of standards for auditing and other items necessary to minimize tax evasion. The institutional mechanism would also perform additional functions on a voluntary negotiated basis as the states find necessary.

(3) A task force should be convened by the states to consider and recommend mechanisms by which the states can implement the concepts stated above. This task force should involve representatives of ASSHTO, the NGA and other interested organizations of state officials including regulatory commissioners, tax administrators, vehicles administrators and legislators.

(4) The institutional mechanism adopted by the states should not involve perpetual subsidies to any state.

(As adopted by the ASSHTO Policy Committee meeting in Washington, D.C. on February 24, 1984, by more than the required two-thirds majority of all the states.

Mr. BRIDWELL. May I make one final comment to you, because I'm appearing here for AASHTO, as you've already heard, and we won't have a policy until tomorrow.

Mr. GIBBONS. Yes.

Mr. BRIDWELL. One of the things the committee might want to consider in the event you feel compelled to take some action this year is, either you could stay with the heavy vehicle use tax for a period of 2 years or, alternatively, go to the combination heavy vehicle use tax and diesel differential, sunset either option at the end of 2 years, and request, if you will, a strong request to the Department of Transportation and the Treasury and other agencies as you see fit, to make a thorough and determined study of weight/distance as an alternative, and then reconsider in 1986.

We believe that is a fair way to address what we think is the most equitable way to go about this, and clearly gets rid of all of the inequities involved in both heavy vehicle use tax and the diesel differential.

Ms. **Parcells**. I would like to add that the Environmental Policy Institute and the groups I am representing today, our position, as we stated, is we recommend a weight/distance tax. If such a tax could not be implemented right away, we firmly believe that the existing tax should hold pending further study of the weight/distance tax.

We would not support any other changes.

Mr. **Gibbons**. I thank the panel. Those are very interesting and constructive comments.

Mr. **Gibbons**. We will next hear from the American Trucking Association, who will be a panel all to himself.

Mr. Whitlock, you may proceed as you wish.

STATEMENT OF BENNETT C. WHITLOCK, JR., PRESIDENT, AMERICAN TRUCKING ASSOCIATIONS, INC.

Mr. **Whitlock**. Thank you, Mr. Chairman.

Mr. Chairman, in the interest of the committee's time, I plan to be very brief in my oral comments, but I ask that the full statement we have filed be made a part of the record.

Mr. **Gibbons**. Yes, sir, it will be.

Mr. **Whitlock**. My brevity this morning, Mr. Chairman, should not be construed as any lessening of the trucking industry's strong conviction that the special truck tax increases enacted in STAA should be modified to better reflect the industry's use of the highways.

As a result of the increases in STAA, carrier expenses for taxes have risen almost 21 percent and are the industry's fastest-growing expense item. Should the increased truck use tax go into effect in July, we estimate that almost one-third of our carriers will be operating at a loss.

The most onerous part of the truck tax is the 700-percent increase in the so-called heavy vehicle use tax. This tax is a misnomer because it has absolutely no relationship to use. A vehicle traveling 10,000 miles pays the same tax per year as a vehicle which travels 110,000.

The trucking industry supports H.R. 2124, cosponsored by 244 members of the House, including 19 members of this committee. This legislation would repeal the heavy vehicle use tax and replace this property tax with a 5-cent-per-gallon tax on diesel used in trucks.

H.R. 2124 was originally written to be revenue-neutral. Because the legislation was not passed in 1983, H.R. 2124 will result in a shortfall revenue to fund the increased authorizations provided by STAA. The industry would favor amending H.R. 2124 so long as the tax option is tied to use.

Large, heavy vehicle use taxes, when coupled with a diesel differential, violate this principle. We believe the diesel tax to be the fairest method of allocating equity because it measures not only distance traveled, but the heavier the vehicle, the less per gallon of fuel per mile the vehicle uses.

A table illustrating the relationship between weight and fuel consumption is included in my full statement. We also urge the committee in arriving at a decision on the level of truck taxes to consider only the necessary revenue to fund the STAA programs. To raise revenues which exceed the expenditures authorized under STAA, in effect, provides a windfall to the Highway Trust Fund, and would only result in increasing the $10 billion trust fund balance which is already too large.

Thank you very much, Mr. Chairman.

Mr. GIBBONS. Thank you, Mr. Whitlock.

[The prepared statement follows:]

STATEMENT OF BENNETT C. WHITLOCK, JR., PRESIDENT, AMERICAN TRUCKING ASSOCIATIONS, INC.

SUMMARY STATEMENT

My name is Bennett C. Whitlock, Jr., and I am president of the American Trucking Associations, Inc. (ATA) with offices at 1616 P Street, Northwest, Washington, D.C. ATA is a federation with affiliated associations in every state and the District of Columbia. In the aggregate, ATA represents every type and class of motor carrier operation in the country, both for-hire and private.

With me today is Lana R. Batts, Managing Director of ATA's Research and Policy Analysis Division.

I have an in-depth statement I wish to submit for the record. In the interest of time, I would like to highlight the important issues raised in this statement.

First, Mr. Chairman, I want to emphasize that the trucking industry is committed to the program of increased federal funding for our nation's highways and bridges as provided by the Surface Transportation Assistance Act (STAA). We are also committed to paying our fair share of highway user taxes to raise the necessary revenues to fund this increased federal program.

However, the special truck tax increases which were approved in the frantic timetable of the special session of the 97th Congress are not only inequitable but are totally unrelated to the industry's use of the highways.

As a result of STAA, carrier expenses for taxes have increased almost 21 percent and are the industry's fastest growing expense item. In July, when the increased use tax goes into effect, we expect an increase of between 1.12 and 1.39 points in the industry's operating ratio. This means almost one-third of our carriers will be operating at a loss. This compares with 23.6% today.

The most onerous part of the truck tax increases is the 700% increase in the so-called heavy vehicle use tax. This tax is scheduled to go from the current maximum of $240 a year to $1,600 on July 1 of this year and ultimately to $1,900 in 1988. This tax is a misnomer because it has no relationship to use. A vehicle traveling 10,000 miles pays the same tax as a vehicle which travels 110,000 miles per year.

The trucking industry supports H.R. 2124, legislation which repeals the heavy vehicle use tax and replaces this property tax with a five-cents-per-gallon tax on diesel used in trucks. This tax, called a diesel differential, would not apply to diesel-powered automobiles, pickups, or vans under 10,000 pounds gross vehicle weight. H. R. 2124 has been introduced by Congressmen Bill Frenzel, Ed Jenkins and Carrol A. Campbell and has 236 co-sponsors, including 19 members of this committee. A companion bill, S. 1475, was introduced in the Senate by Senator Malcolm Wallop and co-sponsored by 28 bipartisan Senators.

Mr. Chairman, H.R. 2124 was originally written to be revenue neutral. However, because the legislation was not passed in 1983, H.R. 2124 will result in a slight short fall of revenue to fund the increased authorizations provided by STAA. However, the industry would favor amending H.R. 2124, so long as certain principles are adhered to:

1) The tax option is tied to use and on a pay-as-you-go basis. Large heavy vehicle use taxes, even when coupled with a diesel differential, violate this principle;
2) The amount of revenue raised approximates the $72.021 billion revenue level needed to fund STAA authorizations.

Mr. Chairman, I would like to say just a few words about the Department of Transportation's report entitled "Alternatives to Tax on Use of Heavy Trucks" which was submitted to the Congress on January 25, 1984.

Because Congress was concerned with the size of the increase in the heavy vehicle use tax and the effect this would have on the recessionary financial condition of the trucking industry, STAA provided for the Department of Transportation to study alternatives to the tax. We are pleased that the Department did not endorse any of the tax alternatives submitted and leaves it to Congress to determine the most equitable approach. We are concerned that the Department has changed its original estimates of the revenues to be raised by the taxes enacted in December, 1982. Instead of the $72.021 billion as estimated at that time by the Joint Committee on taxation, DOT's new revenue estimates are $73.3 billion.

We urge the committee, in arriving at a decision on the level of truck taxes, to consider the necessary revenue to fund the STAA highway programs. To raise revenues which exceed the expenditures authorized under STAA, in effect provides a windfall to the Highway Trust Fund and would result in only increasing the already too large $10 billion Trust Fund balance. It also removes purchasing power from all highway users, including the financially hard pressed trucking industry.

Mr. Chairman, the trucking industry urges favorable consideration by this committee of H.R. 2124 with modification to enable the Highway Trust Fund to fund the authorizations in STAA.

The approach offered by H.R. 2124 has three distinct advantages:

o Returns user funding of highway projects to a pay-as-you-go basis;

o Establishes a taxing mechanism which is easily administered and provides little opportunity for non-compliance; and

o Establishes tax rates for the trucking industry which are equitable and more affordable.

# # #

I. INTRODUCTION

The American Trucking Associations, Inc. (ATA) welcomes the opportunity to discuss alternatives to the heavy vehicle use tax which was dramatically increased by the Surface Transportation Assistance Act of 1982.

Obviously, Congress was concerned with the magnitude of the heavy vehicle use tax contained in STAA because it required the Departments of Transportation and Treasury to conduct a study on alternative tax structures in Section 513(g). To the credit of both Departments, the study was completed one year early and presented to Congress on January 26, 1984. We were pleased that the study did not endorse any tax alternative and left it to Congress to determine the most equitable approach.

The trucking industry is committed to the program of increased federal funding for our nation's highways and bridges as provided by STAA. We are also committed to paying our fair share of highway user taxes to raise the necessary revenues to fund this increased federal program.

However, the special truck tax increases which were approved in the frantic timetable of the special session of the 97th Congress are not only inequitable, but also are totally unrelated to the industry's use of the highways.

The most onerous part of the truck tax increases is the 700% increase in the so-called heavy vehicle use tax. This tax is scheduled to go from the current maximum of $240 a year to $1,600 on July 1 of this year and ultimately to $1,900 in 1988. This tax has no relationship to use. A vehicle traveling 10,000 miles pays the same tax as a vehicle which travels 110,000 miles per year.

The trucking industry supports legislation to repeal the heavy vehicle use tax and replace this property tax with a five-cent diesel differential applicable only to trucks. H.R. 2124, introduced by Representatives Carroll Campbell, Bill Frenzel, and Ed Jenkins and cosponsored by 236 Representatives, accomplishes this. H.R. 2124 is also supported by the Coalition for Equitable Truck Taxes. This coalition of which we are a part, has 41 members, including major shipper organizations; the entire food chain -- growers, processors, manufacturers, wholesalers, and distributors; and all owner-operator groups. Coalition members utilize for-hire, private and owner-operator trucks.

As originally drafted, H.R. 2124 was intended to raise sufficient revenue to fund STAA and was thus revenue neutral. Because the legislation was not enacted in 1983, there is a slight shortfall in revenue. We support amending H.R. 2124 to correct this so long as the following principles are maintained:

1) The tax option be as closely tied to use as possible, and on a pay-as-you-go basis. Large heavy vehicle use taxes, even when coupled with a diesel differential, violates this principle;
2) The amount of revenue raised approximates the $72.021 billion revenue level needed to fund STAA authorizations.

The industry is united in its opposition to a federal weight-distance tax. Weight-distance taxes have been repealed in more states than currently have them. The taxes have inherent problems which make them subject to widespread evasion. The taxes increase paperwork and recordkeeping for carriers. The administrative costs are unattractive and an unnecessary government expense. Our position is detailed in Section VI of this statement.

Also included in our statement are sections dealing with:

- The impact of the Surface Transportation Assistance Act on motor carrier earnings;
- The excessive levels of the heavy vehicle use tax; and
- The widespread support for the diesel differential.

II. THE IMPACT OF THE SURFACE TRANSPORTATION ASSISTANCE ACT ON MOTOR CARRIER EARNINGS

Passage of the Surface Transportation Assistance Act of 1982 (STAA) signaled the beginning of a significant increase in motor carrier operating taxes and fees as the industry was singled out to pay a substantial portion of the funds (channelled into the Highway Trust Fund) needed to refurbish and maintain our public highway network. The highway tax increases were much greater than the industry had ever before been assigned. For a typical 5 axle tractor-semitrailer, annual Federal user taxes as they are now structured will more than double the vehicle's tax burden, increasing from $1,746 prior to the STAA to $3,973 by 1985, the first full year the increased Heavy Vehicle Use Tax will be in effect. The tax burden will continue to escalate as the Use Tax is stepped up from its initial $1,600 annually to $1,900 annually by 1988.

Concomitant with the Federal increase in motor vehicle highway fees has been activity in numerous states to also increase their charges against motor carriers, to match additional Federal highway funding. To date almost all states have increased or are proposing increases in state highway taxes against trucks.

NEGATIVE IMPACT EXPECTED ON MOTOR CARRIERS

When the STAA was passed, ATA conducted an impact assessment on the effect of the increased taxes on the motor carrier financial posture. The technique measured 1982 earnings as if the 1985 level of taxes had been in effect in 1982. It also assumed that state tax increases would follow the Federal lead, as is indeed occurring. The result of this assessment showed that the effect of the higher taxes was an increase in the operating ratio (total operating expenses divided by gross freight revenue) between 1.12 and 1.39 points. The range of the increase is reflective of differing types of equipment used by the industry and the differing tax structures applicable to the various units. Had the taxes been in effect in 1982, the industry operating ratio would have risen from its actual 98.29 level to between 99.41 to 99.68. Instead of generating a meager net income the equivalent of 0.50 percent of revenues, the tax increases would have resulted in an industry net loss of 0.62 to 0.89 percent of revenues.

This, of course, was a suppositional analysis designed to measure the tax impact while avoiding the timing differences in the actual effective dates of the various elements of the overall tax increase. Presently, the first tier of Federal taxes is in effect, including the 5 cent per gallon fuel tax, the 12 percent excise tax (both effective in April 1983) and, most recently, the tire tax (Jan. 1, 1984). The Heavy Vehicle Use Tax is scheduled to become effective July 1, 1984. Thus, while the full tax package is not yet applicable, the industry is already feeling the impact.

RISING TAXES HINDER INDUSTRY RECOVERY

In 1983, the motor carrier industry improved its financial performance for the first year since 1978. However, in spite of the robust growth being experienced by the economy, the growth in motor carrier business has been modest. Although the financial posture had improved, it has not reached levels which can be considered adequate in light of future needs. A major factor hindering the motor carrier recovery and achievement of sound financial margins is the higher level of operating taxes and licenses already being paid by the carriers.

Since the 5 cent fuel tax and excise tax increases became effective in April 1983, the impact did not materialize until the second quarter. Combined results for general freight and specialized motor carriers for the second and third quarters of 1983 and 1982 show operating taxes increasing 20.65 percent — from 2.43 percent of revenues to 2.78 percent. During the same period revenues grew 5.55 percent and total expenses 3.33 percent. Vehicle mileage was up 2.51 percent and tons 4.06 percent. Thus, it appears that the Federal tax increases and state tax increases have already resulted in at least a 0.35 point increase in the motor carrier operating ratio. This impact may even be an understatement since taxes have historically been among the most stable of motor carrier expenses, changing very little in context of wider fluctuations in revenues or total expenses. At present, it is the fastest growing of the various expenses required to operate a truck line.

TAXES COULD BREAK MANY CARRIERS

While the impact of the fuel and related tax increases is severe on motor carrier aggregate results, its effect on individual carriers can be devastating. Consider that even in the improved industry environment of 1983, 23.6 percent of all individual carriers lost money from operations through nine months of the year (operating ratio of 100.0 or higher). Of these firms, almost 15 percent are unprofitable by the margin of increase in operating taxes stemming from the Federal tax increases presently effective. With the greatly escalated Heavy Vehicle Use Tax scheduled to take effect on July 1, 1984, these carriers' ability to turn losses to profits will be severely limited. In fact, most of these carriers will remain unprofitable. When the operating ratio increases another one point as a result of the Heavy Vehicle Use Tax, the industry could see up to 31 percent of its firms in the "red".

RECOVERING FROM TAX BURDEN DIFFICULT

In the highly competitive motor carrier industry today, the ability of many carriers to recover from the tax increases is limited. The Department of Transportation has asserted that productivity benefits ($3.2 billion) would offset, if not exceed, the cost of the tax increases ($1.8 billion). This level of benefits has been contradicted by other research which shows total benefits of less than $1 billion annually.*

Further, even these benefits have not materialized for several reasons. First, carriers operating at or close to the gross vehicle weight limit with existing equipment cannot use the increased sizes for trailers. This applies, in fact, to a majority of truck operators, especially those in the specialized segments of trucking. Further, the system of highways over which the longer and wider vehicles can operate has not been finalized. Finally, many carriers lack the funds to invest in the more productive units. This is a result of the 1978 to 1982 earnings decline.

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* See Attachment I, "Analysis of the Department of Transportation's Claim of the Benefits Accruing to the Trucking Industry from the Surface Transportation Assistance Act of 1982", by Regina T. Selva (as presented to the Transportation Research Board January 1, 1984).

CONCLUSION

Thus, the increasing Federal and state operating taxes add to the industry's dilemma. Operating taxes and licenses are the fastest growing of motor carrier expenses and a further rise of one point in the operating ratio will result in about a third of the carriers experiencing losses from operations.

III. THE HEAVY VEHICLE USE TAX LEVELS ARE EXCESSIVE

In Section 513(g) of the Surface Transportation Assistance Act of 1982 (STAA), Congress directed the Department of Transportation and Treasury to conduct a study on alternatives to the heavy vehicle use tax. Congress directed the study because of its concern about the the size of the increase, in the heavy vehicle use tax.

TAX LEVEL IS EXCESSIVE

With passage of STAA, the heavy vehicle use tax will increase from a maximum of $240 per year to $1,600 on July 1, 1984 and ultimately $1,900 in 1988 — a 700 percent increase. While the new schedule has been described as a phase-in, actually the first increase is a dramatic 566 percent, and the remaining three are only 6.25 percent, 5.88 percent, and 5.55 percent respectively. As noted earlier, the impact of the first increase is to raise the industry's operating ratio by one point. In the financially hard pressed trucking industry, a one point increase results in almost one-third of the carriers operating at a loss.

TAX HAS NO RELATION TO USE

In addition to the adverse impact of the dramatic increase, the heavy vehicle use tax is a contradiction in terms: the use tax has no relationship to use. A vehicle which travels 10,000 miles pays the same tax as a vehicle traveling 110,000 miles. The tax remains the same regardless of whether the industry is experiencing a declining economy with reduced mileage or a booming economy with increased mileage. Furthermore, for a typical five-axle tractor-semitrailer, $1,320 of his total Federal annual highway user tax of $3,973 bears no relationship to use.[1] This represents 38.3 percent of the highway user taxes.

Finally, although STAA allowed a refund for vehicles lost or stolen, there is no refund for vehicles traded or sold. The liability of the tax is calculated on the entire year and must be paid in full.

TAX COMPLIANCE, EVASION, AND ADMINISTRATIVE PROBLEMS

The heavy vehicle use tax is the only Federal highway user tax that is self reporting. As a result, it is subject to widespread evasion. The American Trucking Associations estimate that almost 20 percent of the vehicles liable for the tax do not pay it. In its study on tax alternatives, the American Association of State Highway and Transportation Officials (AASHTO) estimate evasion of 7-15 percent.[2]

STAA did attempt to correct the evasion problem by requiring that the states verify payment of the use tax before issuing vehicle registration. Even with this method, the AASHTO study claims that non-compliance will continue to be widespread because "...the tax is increasing substantially, which increases the incentive for evasion."[3]

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[1] Typical vehicle as defined by the Federal Highway Administration's "Road User and Property Taxes on Selected Motor Vehicles" (1982, latest edition): 4.8 miles per gallon; $60,517 vehicle price (F.O.B. factory, not including 10 percent dealer markup); 8-year life; and 124,000 mile tire life (10 tires at 91.1 pounds and 8 tires at 104.8 miles).

[2] "AASHTO Study of Motor Carrier Taxation and Registration Issues" prepared by System Design Concepts and Harold A. Hovey, Final Report to the American Association of State Highway and Transportation Officials, December 1983, p. VI-35.

[3] Ibid, p. VI-34.

STAA also included an exemption for vehicles which travel less than 5,000 miles. In its study on alternatives to the heavy vehicle use tax, the Department of Transportation (DOT) stated that exemptions "...make assessment problematic and compliance more difficult."[4] The Internal Revenue Service (IRS) has yet to indicate how this exemption will be administered. Suffice it to say, administration of this exemption will be difficult without an array of auditors. The incentive for noncompliance is just too tempting: a truck traveling 4,999 miles pays no heavy vehicle use tax while a truck traveling two miles further, or 5,001 miles, could be liable for as much as $1,600.

COMPETITIVE PROBLEMS WITHIN INDUSTRY

Two features of the heavy vehicle use tax create competitive problems within the trucking industry: the owner-operator one-year delay and the exemption for Canadian carriers coming from provinces with bilateral reciprocity agreements with states.

STAA contains a one year delay in imposing the tax for owner-operators owning no more than five vehicles. Thus in 1984, a carrier with six or more trucks would be paying as much as $1,600 per truck while a competitor with five or fewer trucks would be paying a maximum of $240 per truck, or $1,360 less. For a typical five-axle tractor-semitrailer traveling 70,000 miles per year, as defined by the Federal Highway Administration,[5] one vehicle will be paying 0.34 cents per mile in use tax while another will be paying 2.28 cents per mile. In today's highly competitive environment, a 1.94 cent per mile difference in rates is significant and could spell disaster for many companies.

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[4] "Alternatives to tax on Use of Heavy Trucks," Department of Transportation, January 1984, p. VII-3.

[5] "Road User and Property Taxes on Selected Vehicles," op cit.

Because of a determination by the IRS, some Canadian carriers operating in the United States are liable for the heavy vehicle use tax while others are not. Canadian carriers coming from provinces that have bilateral registration reciprocity agreements with states are not deemed by the IRS to be registered for purposes of the heavy vehicle use tax. Yet American carriers operating in these same provinces pay the use tax. The exemption results in a signficant cost per mile competitive advantage for the Canadian carriers.

Carriers coming from provinces in the International Registration Plan (IRP) are deemed by the IRS to be registered in the U.S. and, therefore, are liable for the use tax. This disparity creates competitive problems within Canada.

Furthermore, no international operation — American or Canadian based — receives special exemption or prorated heavy vehicle use tax for infrequent usage of U.S. highways.

In summary, a diesel differential will eliminate this barrier to international trade. The Canadian Government has stated its preference for either a prorated use tax based on miles traveled (regardless of country of origin) or a diesel fuel differential.[6]

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[6] "Alternatives to Tax on Use of Heavy Trucks," op cit., p. A-2.

IV. DIESEL DIFFERENTIAL IS ONLY OPTION WITH WIDESPREAD SUPPORT

Throughout the whole debate on alternatives to the heavy vehicle use tax, the only tax alternative with any substantial support has been the diesel differential as envisioned in H.R. 2124 and S. 1475. Of the 93 comments filed with the Department of Transportation (Docket No. 83-3), opened April 7, 1983, 54 supported a diesel differential, 12 supported a weight-distance tax, 20 supported other types of taxes and the remaining 7 did not address the issue. In addition, 41 national and regional associations have formed an organization called the Coalition for Equitable Truck Taxes, which supports passage of S. 1475 and H.R. 2124. Currently, a majority of the House of Representatives are cosponsoring H.R. 2124, while 29 senators are cosponsors for S. 1475.

PREDICTABLE TAX SOURCE

The diesel fuel tax has already proven to be a predictable revenue source. Currently, 12 states have diesel differentials. They are:

Alabama
Arkansas
Colorado
Illinois
Iowa
Kansas
Mississippi
Montana
New York
Tennessee
Texas
Vermont

No state has indicated a shift from diesel to gasoline-powered vehicles because of the diesel differential. This is because a diesel engine is more fuel efficient than a gasoline engine.

Finally, as Table IV-1 indicates, H.R. 2124, when introduced, would have raised approximately the same amount of revenue as STAA, or $72 billion as estimated by the Joint Committee on Taxation. While the surplus in the Trust Fund has risen from $9 billion to $10 billion, the industry is committed to a tax proposal which raises approximately the same amount of money so long as it embodies the principles set forth in H.R. 2124.

EAST TO ADMINISTER

The diesel differential, as contained in H.R. 2124, has at least three advantages over other options: First, it is not a new taxing option. As a result, it will not require new forms or new procedures. Carriers paying the current diesel tax will only pay a higher rate. Secondly, it is not a self-reporting tax. As a result, compliance is widespread and hard to avoid.

In addition, exempting owners of diesel-powered cars and light trucks under 10,000 pounds GVW would not place new requirements on the Federal government and the taxpayers. Currently, the Federal government rebates fuel taxes to certain farmers; commercial fishing vessels; intercity, local and school buses; gasoline/alcohol mixture; and qualified taxicabs. Assuming the nation's 2.8 million farmers claim a refund for off-highway usage, then the Federal government is handling at least that many refunds from the Internal Revenue Service, Form 4136, "Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil." Allowing a refund for the nation's diesel-powered automobiles and light trucks would not be a new requirement for the Federal government.

TABLE IV-1

ESTIMATED REVENUE UNDER H.R. 2124 -- DIESEL DIFFERENTIAL

$ MILLION-FISCAL YEARS

	1983	1984	1985	1986	1987	1988	6-YEAR TOTAL
GASOLINE	$6,182	$8,463	$8,375	$8,315	$8,339	$8,394	$48,068
DIESEL	1,141	2,021	2,329	2,506	2,693	2,890	13,580
TRUCKS & TRAILERS	610	1,102	1,397	1,578	1,702	1,850	8,239
TRUCK PARTS	64	-	-	-	-	-	64
TIRES	530	250	151	160	166	173	1,430
TUBES	20	7	-	-	-	-	27
TREAD RUBBER	21	7	-	-	-	-	28
LUBE OIL	13	-	-	-	-	-	13
USE	114	-	-	-	-	-	114
$ TOTAL	$8,695	$11,850	$12,252	$12,559	$12,900	$13,307	$71,563
TOTAL UNDER STAA*	$8,636	$11,713	$12,378	$12,755	$13,128	$13,411	$72,021

*SURFACE TRANSPORTATION ASSISTANCE ACT
SOURCE: DATA COMPUTED FROM ESTIMATES BY U. S. CONGRESS JOINT COMMITTEE ON TAXATION. DIESEL PROJECTIONS DERIVED FROM U. S. TREASURY ON-HIGHWAY DIESEL FUEL CONSUMPTION MODEL

Concerns have been raised by the American Association of State Highway and Transportation Officials (AASHTO) that it would be too costly to handle refunds to exempt diesel-powered vehicles. Yet, AASHTO estimates in its recent study on Motor Carrier Taxation that the cost for each refund would be between 20 cents and $1.00 per refund.[1/] This hardly constitutes a major increase in Federal tax collection expenditures.

COMPLIANCE COSTS ARE LOW

In contrast to the large lump-sum payment required by the heavy vehicle use tax under the STAA, the diesel differential will be a truly "pay-as-you-go" tax. This has been a long-standing principle of highway taxation which has been supported by ATA. The "pay-as-you-go" principle continues to be widely supported in the motor carrier industry, especially in today's tight money conditions for many motor carriers.

A diesel differential would not require any additional recordkeeping beyond that which already occurs. As noted above, the only burden would be on the diesel-powered automobile and light truck owners who would file a form requesting an average credit or refund of $30 similar to IRS Form 4136. There would be a significant paperwork reduction for 1.8 million[2/] [3/] to 1.4 million[4/] combination trucks currently paying the

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[1/] "AASHTO Study of Motor Carrier Taxation and Registration Issues," Prepared for the American Association of State Highway and Transportation Officials, by System Design Concepts, Inc. and Harold A. Hovey, December 1983, p. VI-27.

[2/] Transportation System Descriptors Used in Forecasting Federal Highway Revenues, Final Report, U.S. Department of Transportation, Federal Highway Administration, June 1981, Section III.

[3/] Capital Cost Allocations and User Charge Structure Options, Highway Cost Allocation Study, Working Paper Number 12, U.S. Department of Transportation, Federal Highway Administration, July 1981, p. 35.

[4/] Final Report on the Federal Highway Cost Allocation Study, Report of the Secretary of Transportation to the United States Congress, Pursuant to Section 506, Public Law 95-599, Surface Transportation Assistance Act of 1978, May 1982, p. IV-23.

heavy vehicle use tax.

In addition, Canadian carriers favor a diesel differential. A diesel differential overcomes the problems of Canadian-based carriers in some provinces which are subjected to the heavy vehicle use tax and those based in other provinces which have reciprocal agreements that allow them to avoid taxes.

COMPLIANCE AND ENFORCEMENT PROBLEMS ARE MINIMAL

The diesel differential is a simple, straightforward tax that cannot be easily avoided. As a result, it has very high compliance and low enforcement costs. In fact, in most states the costs to collect are approximately one percent. (See Table VI-2)

Allegations have been raised that if a diesel differential tax were adopted, there will be massive tax evasion by truck operators who will use middle distillates such as home furnace oil, heating oil, and kerosene, on which there are no taxes, as substitutes for diesel fuel. There is already a substantial difference in the price of highway diesel fuel and other non-taxable middle distillates. Yet, there is no evidence of extensive evasion because practical roadblocks prevent such cheating which will continue with a diesel differential.

Massive evasion is not possible because of the lack of availability of diesel for nontaxable middle distillates for truck operations. It is difficult for truck operators to purchase large quantities of nontaxed substitute fuels because they are not sold by truckstops.

Substantial tax losses could occur only where there are large volumes of middle distillates sold. However, states presently require all bulk fuel facilities to be registered, and these facilities are regularly inspected. Non-registered facilities frequented by heavy trucks will be easily detected.

Likewise, a one truck operator who uses his home heating oil as a diesel substitute will be detected. Heating oil companies sell on degree days which enables them to know how much fuel is being used and when to refill tanks. If a customer starts to use 250 gallons a week, it will cause an investigation; especially in the summer.

Massive evasion of a diesel differential tax by the trucking industry would require a huge, sophisticated black market. It takes roughly 600 gallons of diesel to cross the country with a loaded truck. Locating illegal fuel stops that could handle the volumes of fuel needed would present a major logistical problem.

Beyond the difficulty of obtaining sufficient substitute fuels, there are inherent problems in using them in today's highly-sophisticated diesel engines. Diesel fuels are made to burn in truck engines while the untaxed products are blended and refined for other purposes. In diesels, there is a variable workload and air supply, while furnace burners work at a constant workload and air supply. Diesel fuel must provide a controlled, rapid burn whereas heating oil does not require such properties. Admittedly, substitutes can be burned in diesel engines periodically. However, such a long-term practice will lead to increased maintenance and failures.

Problems include:

(1) Furnace fuels are not as clean as diesel which will lead to filter problems;

(2) Furnace fuels do not include flow improvers which will cause serious winter operating problems;

(3) The detergents needed in diesel fuel to keep injectors and combustion chambers clean are missing from other products;

(4) Ash and sulfur are not controlled in furnace oil as they are in diesel fuels causing deposit and acid problems;

(5) Heating values are different for heating fuel and are less economical; and

(6) Furnace oils do not contain the blend and additives needed to assure a rapid, controlled burn.

The damage done by the use of substitute fuels is detectable and not covered by engine warranty. Every engine builder warns against such practices.

As a consequence, the low profits available to black market dealers, the problem in obtaining massive amounts of substitute fuels, and combustion difficulties caused by such fuels argue strongly against their being widely used as substitute for diesel fuel.

Even with these problems in availability and substitutability of diesel fuel for nontaxed middle distillates, allegations have been made that Canada experienced large evasion problems with a diesel differential. It was alleged that when Canada colored highway diesel fuel, the collection rates increased dramatically.

Yet the Canadian diesel differential is quite unlike that being proposed by S. 1475 and H.R. 2124.[1] For example, four Canadian provinces levy an ad valorem tax on diesel fuels but not heating oil. As of January 1, 1982, the rates on diesel fuel in these four jurisdictions were:

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[1] "The Coloring of Motor Fuel in Canada," prepared by the Federation of Tax Administrators, Research Memorandum 555, May 1983.

Manitoba: 20 percent of retail price
Ontario: 27 percent of retail price
Quebec: 20 percent of retail price
Saskatchewan: 28 percent of retail price.

A five cent diesel differential represents four percent of the current price of diesel fuel at 123.8 cent per gallon, as measured by the Interstate Commerce Commission's weekly survey of truckstops. The Canadian experience is hardly relevant to the discussion of a five cent diesel differential.

WEIGHT AND DISTANCE ARE REFLECTED

A diesel differential reflects changes in gross vehicle weight. The heavier the vehicle, the fewer miles per gallon; the higher the mileage, the more tax paid. As Figure IV-1 indicates, for each 10,000 pound increase in gross vehicle weight for a five-axle tractor semitrailer, there is a 4.6 percent increase in the fuel consumed. A vehicle at 30,000 pounds gvw averages 6.4 miles per gallon, while a vehicle at 80,000 pounds gvw will average only 4.71 miles per gallon.[2]

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[2] Five-axle Tractor Semitrailer
$GPM = .00186K + .13788$
Where,
K = Gross Vehicle Weight in tons
GPM = Gallons Per Mile
Source: Regina T. Selva and Roger W. Kolins, "The Impact of Gross Vehicle Weight on Line-Haul Trucking Costs: 1981 and 1985," Issues in Truck Sizes and Weights, Technical Report, TSW-81-3, American Trucking Associations, Inc., 1981.

SUMMARY

As indicated earlier, a five cent diesel differential meets the criteria of equity, economic efficiency, productivity, administrative feasibility, payment ease, and compliance and enforcement. Furthermore, it returns highway funding to a pay-as-you-go principle for highway user fees. It raises the necessary revenue for a substantially increased highway program.

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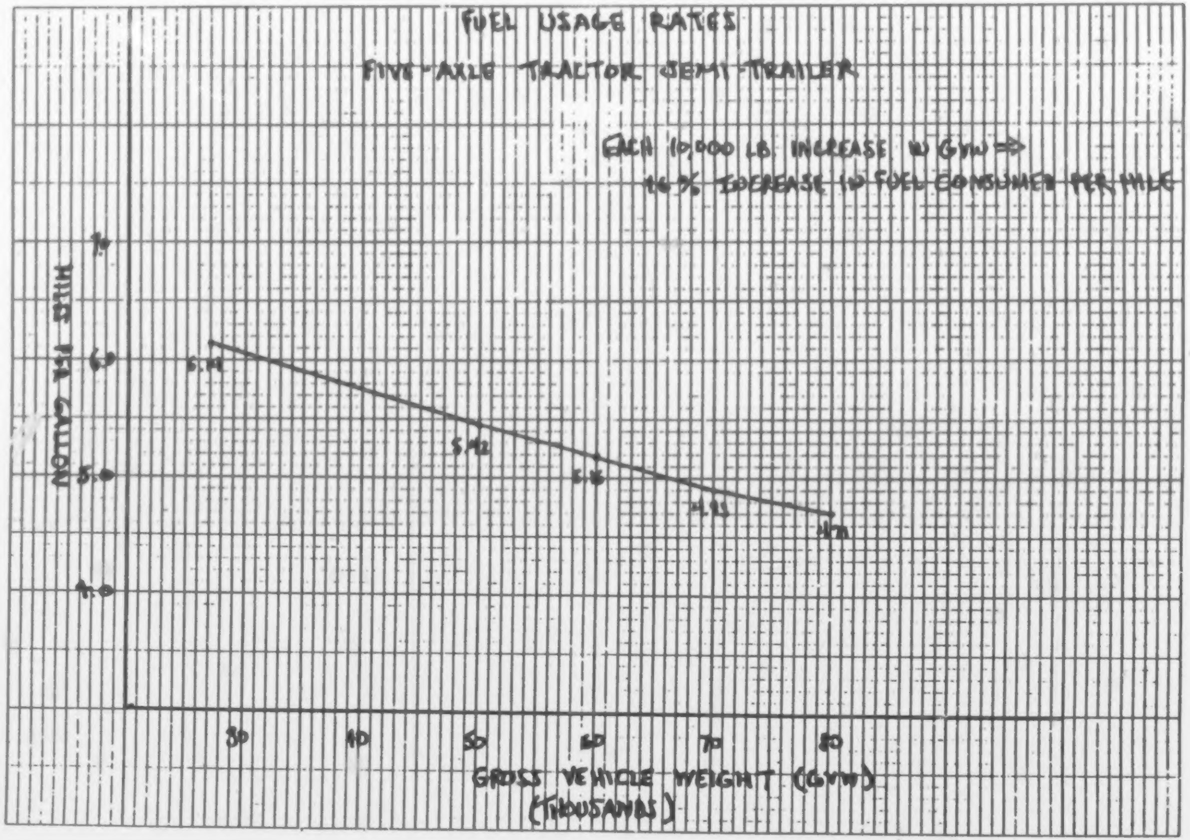
FIGURE IV-1



V. DIESEL DIFFERENTIAL COMBINED WITH HEAVY VEHICLE USE TAX IS NO COMPROMISE

Six of the options contained in the Department of Transportation's "Alternative to Tax on Use of Heavy Trucks" combine the heavy vehicle use tax with a diesel differential. The use taxes range from a maximum of $240 per year in Option #2 to $1,200 in Option #6. These options, however, meet few of the criteria for equitable truck taxation.

COMBINING TAXES STILL LEAVES LARGE, UP-FRONT FEE

As the public docket on alternatives to the heavy vehicle use tax shows (FHWA Docket No. 83-3), almost every motor carrier representative expressed objections to the heavy vehicle use tax. Many of these objections addressed the form of the tax. Regardless of the maximum amount level, it is a Federal property tax, not a use tax. For example, DOT Option #4 increases the heavy vehicle use tax from the pre-STAA maximum of $240 per year to $650, a 171 percent increase. In 1985, of the $3,242.3 million paid by combination trucks (according to DOT), 36 percent of these taxes will remain on a fixed, lump-sum basis, while 64 percent will be on a pay-as-you-go basis.[1]

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[1] DOT Option #4 — All Combinations - 1985

Fuel	$1,901.2 million	(58.6%)
Tire	159.9 million	(4.9%)
Excise	857.4 million	(26.4%)
Use	324.2 million	(10.0%)
TOTAL	$3,242.3 million	(100.0%)

For a typical five-axle tractor semitrailer,[2] the use tax coupled with an amortized excise tax will constitute 41 percent of the $3,930 in federal highway use taxes. The remaining 59 percent will be on a pay-as-you-go basis.

REDUCED HEAVY VEHICLE USE TAX UNFAIRLY EXEMPT HIGH AXLE WEIGHT TRUCKS

Except for DOT Option #2, the other options which combine a heavy vehicle use tax with a diesel differential, only apply the use tax to vehicles over 50,000 pounds gross vehicle weight. The industry is opposed to any heavy vehicle use tax which does not apply to vehicles between 33,000-55,000 pounds gross vehicle weight. The basis for the DOT highway cost allocation study is the premise that axle weights -- and not gross vehicle weights -- damage highways. Yet, DOT Options #3, 4, 5, 6, and 7 do not apply the heavy vehicle use tax to vehicles under 55,000 pounds, even though they may have the same axle weights as vehicles above 55,000 pounds.

For example, Figure V-1 shows a three-axle concrete mixer. This vehicle averages 20,000 pounds on the front axle and 34,000 pounds on the rear tandem axle for a gross vehicle weight of 54,000 pounds. A typical five-axle tractor semitrailer carries 10,000 pounds on the front axle and 34,000 pounds on the remaining two tandem axles for a gross vehicle weight of 78,000 pounds. Under DOT Option #4, the first vehicle pays no heavy vehicle use tax, while the second pays $602.

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[2] DOT Option #4 — 5-Axle Tractor Semitrailer
78,000 lbs. gvw -- 70,000 annual miles

Fuel	$2,187	(55.6%)
Tire	143	(3.6%)
Excise	998	(25.4%)
Use	602	(15.3%)
TOTAL	$3,930	(100.0%)

Table V-1 lists other vehicles with comparable axle weights to so-called heavy trucks (over 75,000 pounds), which do not pay the heavy vehicle use tax. While we disagree with the DOT's highway cost allocation study, if vehicles are to be taxed on the findings of that study, then all vehicles with high axle weights should pay a heavy vehicle use tax. The tax should not apply to only those vehicles over 55,000 pounds gross vehicle weight.

EXEMPTION FOR VEHICLES TRAVELING LESS THAN 5,000 MILES IS ADMINISTRATIVELY DIFFICULT

Options #2 - #7 retain an exemption for vehicles traveling under 5,000 miles from the use tax. Prior to STAA, the use tax applied to all vehicles regardless of average annual miles. This new exemption increases the administrative burden for the Internal Revenue Service. How will Treasury verify that a certain vehicle traveled less than 5,000 miles a year? What type of documentation would a truck owner have to supply to satisfy Treasury?

Obviously, widespread and expensive auditing procedures would need to be developed. The incentive for noncompliance is just too tempting: a truck traveling 5,001 miles pays as much as $650 in Option #4, while a vehicle traveling 4,999 miles pays no tax.

FIGURE V-1

TABLE V-1

Vehicles Under 55,000 lbs. gvw With High Axle Weights

Description	Single Front Axle	Single Rear Axle	Tandem Rear Axle	Gross Vehicle Weight
Dump Truck	13,000	20,000	N/A	33,000
Utility Truck	12,000	N/A	28,000	40,000
Dump Truck	10,500	N/A	34,000	44,500
Dump Truck	12,000	N/A	34,000	46,000
Trash Hauler	16,000	N/A	34,000	50,000
Cement Mixer	20,000	N/A	34,000	54,000
Five-Axle Tractor Semitrailer	10,000	N/A	34,000 34,000	78,000

N/A = Not Applicable

VI. WEIGHT-DISTANCE TAXES FAIL TO MEET THE OBJECTIVES FOR REASONABLE HIGHWAY TAXATION

The railroads, the American Automobile Association (AAA)and others favor the imposition of some form of a Federal weight-distance tax as a substitute for the heavy vehicle use tax. The extreme complexity in assessing and administering weight-distance tax schemes cause them to be inexact, impercise, and inconsistent. As will be demonstrated in this section, weight-distance tax proposals satisfy none of the objectives of good highway taxation.

A COMPLEX TAX

Taxes based on some measure of weight and distance can come in many forms:

(a) a tax rate applied to the gross weight of the vehicle and the mileage traveled;

(b) a tax rate applied according to the gross weight of the vehicle and mileage traveled when the vehicle is either partially or fully loaded but a different rate applied to the unladen weight of the vehicle and mileage traveled when empty;

(c) a tax rate applied according to the unladen weight of the vehicle and the mileage traveled; and

(d) a tax rate applied according to the number of axles and mileage traveled.

While there is some confusion between weight-distance taxes and ton-mile taxes, there shouldn't be. In theory, a ton-mile tax varies according to the actual load per vehicle. In practice, only Colorado assesses a ton-mile tax.[1] All other weight-distance (ton-mile) taxes are based upon some type of registered weight: unladen, empty, and maximum gross.

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[1] The tax is assessed at a rate of .8 mills per ton-mile of empty weight, plus two mills per ton-mile of cargo weight. Reports on mileage are filed each month. To guarantee payment, a bond must be posted equal to two months estimated liability.

A weight-distance tax, like its predecessor the ton-mile tax, is based upon a pseudo-scientific concept. The theory of a tax based on tonnage multiplied by mileage sounds terrific, but is deceptive. It is based on an erroneous concept that all highway wear is directly related to the weight of a truck (including load) and that weight and distance are a fair measure of this pavement wear. No evidence has ever been produced demonstrating a direct causal relationship between highway costs and weight-distance.

Furthermore, most weight-distance tax advocates are suggesting a scheme based on gross registered weight; not operating weight. Thus, while administrative feasibility may be enhanced, the opportunity to achieve acceptable levels of equity and efficiency is significantly reduced.

The average weight of any vehicle varies according to the type of operation, commodity hauled, freight availability, and other factors. For example, the average operating weight of a general freight vehicle registered at 80,000 pounds is 61,000 pounds. It is clear that there is no predictable relationship between registered and operating weights.

Ten states (Arizona, Colorado, Idaho, Kentucky, Nevada, New Mexico, New York, Ohio, Oregon, and Wyoming) have taxes that could be broadly construed to assess a weight-distance tax. Six states apply the tax on the basis of registered gross weight. Three states base the tax on unladen or empty weight. And Ohio bases the tax on the type of vehicle and the number of its axles.

Significantly, no other class of taxpayer is subject to the complex and burdensome requirements of a "registered weight-distance" tax. The filing of a bond, the need to display a tax plate demonstrating compliance in some cases, the elaborate reporting forms and mileage records, and the proposed assessment of a carrier for the per diem expense of an audit by the state personnel, add up to a system of enormous expense and, in many cases, a reduced revenue level to the states.

ADMINISTRATIVE FEASIBILITY IS CHECKERED

The history of weight-distance (ton-mile) taxes indicates that they have been found to be unsatisfactory. Eleven states have repealed laws imposing such taxes. (See Table VI-1.) In other words, more states have tried and abandoned some form of a weight-distance tax than currently have them. As the table demonstrates, the principal reason for the repeal was that the taxes could not be administered successfully without using objectionable procedures. States found the taxes difficulty to enforce and costly to administer.

The costs of administering weight-distance taxes are high for both the government and the taxpayer. Any tax requiring self-reporting of detailed records creates a potential for evasion. A study done by Wilbur Smith and Associates, for the Wyoming legislature, Highway User Fee Study, contains the following statement about the Wyoming mileage tax, or Compensatory Fee:

> Another serious problem with the current system is the potential for tax evasion. The limited information which is available as well as a review of operating procedures suggest that the opportunity to avoid payment of compensatory fees exists on a significant scale.1/

Consequently, to ensure a reasonably full complaince, audits of carrier records must be made on a regular basis.

1/ Wilbur Smith and Associates and the Wyoming Legislature Joint Transportation and Highways Interim Committee, Wyoming Highway User Fee Study, 1981.

The Federal Highway Administration (FHWA) annually receives data from each of the states on the cost of collecting "State Motor-Vehicle and Motor-Carrier Tax Receipts." This includes registration fees, drivers licenses, titling taxes, fines and penalities, mileage and ton-mile taxes and other miscellaneous receipts. Costs of collection for fuel taxes are also reported to FHWA.

In those forty-two states[2/] and the District of Columbia not assessing weight-distance taxes, the cost of collecting traditional motor vehicle and motor carrier taxes in 1980 averaged 12½ percent of the taxes collected while fuel taxes were 0.78 percent. For the eight states in 1980 which collected weight-distance taxes as well as those traditional taxes, the motor vehicle cost of collection was 16.8 percent and fuel tax cost was 1½ percent. This means that the total cost of collection of all highway user taxes as reported by the states was 8.12 percent of total user taxes in the eight weight-distance tax states and only 5.89 percent in the other 42 states. The estimated cost of collection of the weight-distance tax in these eight states is more than $66 million. (See Table VI-2.) Despite claims of very low collection costs for weight-distance taxes, the state reports to FHWA show that 30 percent of all weight-distance tax collections are expended to collect the tax.

[2/] Data not available for states enacting weight-distance taxes in 1981 or after.

TABLE VI-1

STATES REPEALING WEIGHT-DISTANCE (TON-MILE) TAXES

STATE	DATE IN EXISTENCE	REASON FOR REPEALING
Alabama	1941 - 1961	
Georgia	1931 - 1937	"Administrative Expenses Ran High ... 21.47% of gross collections" 1/
Iowa	1925 - 1939	"Difficult to administer because it involves self-declaration ... open to evasion." 2/
Kansas	1931 - 1955	
Michigan	1946 - 1966	
Minnesota	1936 - 1949	"Problems of Enforcement Out of Proportion" 3/
Oklahoma	1923 - 1938	"Expense of collecting this mileage tax was rather excessive ... very expensive on the motor carrier owner ... 4/
Tennessee	1931 - 1939	"Very impractical ... cumbersome and costly to administer" 5/
Utah	1933 - 1937	"Enforcement ... almost universally as unacceptable" 6/
West Virginia	1933 - 1951	Discourage the development of intrastate regular route service 7/
Wisconsin	1933 - 1953	"Riddled by the Exemptions" 8/

See next page for explanations

TABLE VI-1 (Cont'd.)

STATES REPEALING WEIGHT-DISTANCE (TON-MILE) TAXES

1/ Figures based on the Comptroller General's and Treasurer's report for those years, quoted in statement of R. S. Reese, Executive Secretary of the Motor Vehicle Association of Georgia, July 1949, p. 1281.

2/ E. D. Allen, "Analyses of Highway Costs and Highway Taxation With an Application to Story County, Iowa," Iowa State College Bulletin 152, 1941, p. 90.

3/ Report of the Legislative Interim Committee on Highways, submitted to the Legislature of the State of Minnesota, 1949, p. 75.

4/ Letter from M. C. Connors, Secretary, Oklahoma Tax Collection, to Lyle Griffin, Field Representative of National Highway Users Conference, August 18, 1950.

5/ Board of Investigation and Research, Carrier Taxation, H. Doc. 160, 79th Cong., 1 Sess., p. 231.

6/ "Weighed ... and found wanting," National Highway Users Conference, undated, p. 9.

7/ "The Ton-Mile Tax and Related 'Third Structure' Taxes," National Highway Users Conference, p. 19.

8/ Wisconsin Legislative Council, Advisory Committee on Highways, Report of 1950, Vol. XV, Sec. 1, Part II, Motor Carrier Transportation in Wisconsin, Fees - Taxes - Reciprocity, p. 171.

TABLE VI-2

COMPARISON OF THE COST OF COLLECTING HIGHWAY USER TAXES IN
THE EIGHT STATES HAVING SUCH TAXES WITH STATES NOT HAVING
WEIGHT-DISTANCE TAXES - 1981

	Thousand of Dollars	
Type of User Taxes	Eight States With Weight-Distance Taxes 1/	States Without Weight-Distance Taxes
Motor Vehicle & Motor Carrier Taxes	$1,061,492	$ 7,004,323
Cost of Collection	178,065	859,678
Collection Cost Rate	16.77%	12.27%
Fuel Taxes	$1,327,950	$ 8,755,860
Cost of Collection	16,049	68,627
Collection Cost Rate	1.21%	0.78%
Total User Taxes	$2,389,442	$15,760,183
Cost of Collection	194,114	928,304
Collection Cost Rate	8.12%	5.89%
Weight-Distance Taxes	$ 218,461	$ —
Estimated Cost of Collection 2/	66,243	—
Collection Cost Rate	30.32%	—

1/ Data are not available for states inacting weight-distance taxes in 1981 or after.

2/ Estimated by multiplying total user taxes, less mileage taxes, collected in the eight mileage tax states by the average collection cost rate in the other forty-two states. The product is an estimate of the cost of collecting all user taxes except the mileage taxes. The difference between this and the total cost of collecting all user taxes of $194,114,000 reported to the Federal Highway Administration represents an estimate of the cost of collecting weight-distance taxes in the eight states.

SOURCE: Highway Statistics, Tables MV-2, MV-3, MF-1 and MF-3, Federal Highway Administration.

The Wilbur Smith and Associates study in Wyoming indicates that in Fiscal Year 1980 the 13 ports of entry collected $6,344,424, consisting largely of the weight-distance tax and trip permits. The operating costs of the 13 ports of entry and two supporting shops were $1,577,765, or 25 percent of the revenues collected. That's about in line with the national average for weight-distance taxes.

In Colorado the ton-mile tax is reported in the fuel tax tables. This shows that in 1980 $112,261,000 in fuel taxes were collected in Colorado and that collection expenses were $13,516,000 or 12 percent of the taxes collected. Since the national average cost of collecting fuel taxes is less than one percent, it is apparent that the cost of collecting the ton-mile tax in Colorado is very high.

Detailed Colorado data shows that despite collecting nearly $25 million in ton-mile taxes, only about $12 million is actually available for highway expenditures after deduction of ton-mile tax collection costs.

Oregon is often referred to as a state with low collection costs for its complex weight-distance tax. But as Table VI-3 indicates, the cost to collect Oregon's weight-distance tax is 31.97 percent of the revenue collected, similar to other weight-distance tax states.

The American Association of State Highway and Transportation Officials (AASHTO) has endorsed the concept of a federal weight-distance tax as a future equitable alternative to the heavy vehicle use tax. Yet, despite the evidence contained above, AASHTO indicates that collection costs would be minimal. Yet, we note that AASHTO's proposal admits that the cost to collect a federal weight-distance tax would be between five and seven percent. By comparison, FHWA data indicate that it costs less than one percent to collect fuel taxes.

TABLE VI-3

Weight Distance Tax Collection Cost Example - Oregon
1981

Type of User Taxes	Oregon User Taxes Collected
Motor Vehicle & Motor Carrier Taxes	$ 109,096,000
Cost of Collection	25,706,000
Collection Cost Rate	23.56%
Fuel Taxes	$ 87,973,000
Cost of Collection	397,000
Collection Cost Rate	0.45%
Total User Taxes	$ 197,069,000
Cost of Collection	26,103,000
Collection Cost Rate	13.25%
Weight-Distance Taxes	$ 55,584,000
Estimated Cost of Collection 1/	17,770,000
Collection Cost Rate	31.97%

1/ Estimated by multiplying total user taxes, less mileage taxes, collected in Oregon by the average collection cost rate of 5.89% in the forty-two states not having mileage taxes. The product is an estimate of the cost of collecting all user taxes except the mileage taxes in Oregon. The difference between this and the total cost of collecting all user taxes of $26,103,000 reported to the Federal Highway Administration by the State of Oregon represents an estimate of the cost of collecting mileage taxes in Oregon.

SOURCE: Highway Statistics, Tables MV-2, MV-3, MF-1 and MF-3, Federal Highway Administration.

In addition, the AASHTO proposal would have the states collect the federal tax and be reimbursed for their collection costs. No other federal tax is collected at the state level. The constitutional issue of states collecting federal taxes would have to be resolved.

RECORDKEEPING WOULD BE INCREASED

Highway tax proposals should minimize recordkeeping. However, weight-distance taxes increase paperwork and recordkeeping. The Wilbur Smith and Associates study had the following to say about the Wyoming mileage tax:

> Substantial costs are imposed upon the carrier in order to comply with the existing compensatory fee. For some carrier routes, the processing costs for the carriers (stopping as a minimum of two ports of entry) may equal or exceed the compensatory fees which are imposed. In addition, carriers incur costs associated with additional recordkeeping mandated by the compensatory fee system.

A table in this study compares the Compensatory Fees paid by a 32,000 pound truck with the detention costs for two 15-minute stops at the port of entry at each end of the trip for three through state trips. Detention costs "are the costs of driver wages, depreciation, insurance and fuel, in addition to an approximation of dollar costs resulting from the time loss in reaching the trucker's destination."

On the shortest trip, 211 miles, the compensatory fees collected were $8.77 compared to detention costs of $17.50. In this example of costs of stopping at ports of entry were twice the tax paid.

On a 365 mile trip through Wyoming the compensatory fees collected totaled $15.18 compared to the detention costs of $17.50. The detention costs represent 115 percent of the taxes paid.

The third trip was a 400 mile trip and $16.14 was collected in compensatory fees compared to the detention costs of $17.50. The detention costs represented 107 percent of the taxes collected. In addition to detention costs, there are the costs of maintaining records which the consultants acknowledge to exist, but did not quantify in their analysis.

A survey conducted by ATA's National Accounting and Finance Council (see Attachment II) indicates that the cost of complying with a weight-distance tax would be an increase of between 290 and 590 percent, depending on the size carrier, relative to that of complying with the current heavy vehicle use tax.

A majority of small motor carriers currently incur about $15 per truck in administrative costs for purposes of complying with the FHUT. If a federal weight-distance tax were enacted, this "hidden tax" would jump to $102 per truck, which translates into a 590 percent increase. A mid-size carrier currently incurs approximately $12 per truck in administrative costs to comply with the current FHUT. This would compare to an estimate of $52 per truck or a 330 percent increase for a federal weight-distance tax. A large carrier presently incurs approximately $3.50 per truck to comply with the current FHUT, as compared to nearly $13.50 per truck for a federal weight-distance tax or 290 percent more. Clearly, a federal weight-distance tax would substantially increase the compliance costs for all carriers.

Finally, carriers in 9 jurisdictions, including California with the largest registered truck population, will find it impossible to pay the tax. As Table VI-4 shows, nine jurisdictions do not register by gross vehicle weight which is essential for determining the tax rate. Furthermore, unladen weight, empty weight, manufacturer's shipping weight, and net weight are separate and distinct weight categories. There is no way to determine gross vehicle weight from any of them.

TABLE VI-4

STATE REGISTRATIONS OTHER THAN GROSS VEHICLE WEIGHT

STATE[1]	METHOD OF REGISTRATION	NUMBER OF TRUCKS[2]
Alaska	Unladen weight	95,700
California	Unladen weight	2,900,500
Colorado	Empty weight	552,700
District of Columbia	Manufacturer's shipping weight	10,200
Hawaii	Net weight	70,000
Nevada	Unladen weight	138,100
Ohio	Net unladen weight	876,100
South Dakota	Manufacturer's shipping weight[3]	Unknown
Wyoming	Unladen weight	106,500

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[1] In addition, Quebec registers by curb weight (weight of the vehicle minus load).

[2] 1977 Census of Transportation, Truck Inventory and Use Survey.

[3] For non-commercial motor vehicles. Commercial vehicles on gross vehicle weight basis.

COMPLIANCE AND ENFORCEMENT COSTS ARE HIGH

Weight-distance taxes are self-reporting and depend upon those subject to the tax to identify themselves to the state. It is based on the honor system. Those who are honest will pay the tax and the others will not.

The only way to ensure compliance with a weight-distance or ton-mile tax is for the state to audit the records of the carrier. Unfortunately, proponents seem to make the assumption that all carriers keep mileage records which are reported to some state agency. This assumption is incorrect. As Table VI-5 indicates, many states do not require that mileage records be maintained: Nine states exempt solely intrastate carriers; four states exempt noncommercial vehicles; two states exempt private carriers with only one truck; and three states exempt intrastate mileage for vehicles base-licensed in the state. Compliance cannot be assured for vehicles which do not keep records.

The problem with state audits of ton-mile taxes are clearly described in a study released in October 1982, prepared by the Urban Center of Cleveland State University, An Analysis of Highway Finance in Ohio: Current Practice and Alternative Approaches.[3]

The Ohio study states that:

> ... the 17 audits closed in 1982 by highway use tax field auditors assessed an additional $1.2 million on self-assessed taxes of $6.1 million. This represents 20 percent underpayment. Because field audits are initiated where evidence of problems already exists, total underpayments may be less than 20 percent, but clearly compliance is a much greater problem for this tax than for the motor carrier fuel tax or license tax. (Emphasis supplied.)

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[3] An Analysis of Highway Finance in Ohio: Current Practice and Alternative Approaches, Prepared for Ohio Department of Taxation by the Urban Center, College of Urban Affairs, Cleveland State University, 1982.

TABLE VI-5

STATES NOT REQUIRING MILEAGE RECORDS

STATE	EXEMPTION
Alabama	Wholly intrastate vehicles
Delaware	Private carriers with one truck
District of Columbia	No fuel purchase law, no mileage reports
Florida	Noncommercial vehicles
Hawaii	No fuel purchase law, no mileage reports
Illinois	Noncommercial vehicles, wholly intrastate vehicles
Iowa	Wholly intrastate
Kansas	Wholly intrastate
Minnesota	Vehicles base-licensed in Minnesota
Montana	Wholly intrastate vehicles
New Mexico	Wholly intrastate vehicles
North Dakota	Wholly intrastate vehicles
Ohio	Noncommercial vehicles
Oklahoma	Noncommercial vehicles
Oregon	Mileage tax in lieu of fuel tax
Pennsylvania	Private carriers with one vehicle
Rhode Island	Vehicles fully base-plated in Rhode Island
South Dakota	Wholly intrastate carriers
Texas	Wholly intrastate carriers
Washington	Vehicles base-licensed instate
Wisconsin	No fuel purchase law, limits fuel importation to 20 gallons
Wyoming	Compensatory tax in lieu of fuel tax

The Ohio study goes on to show that underpayment of the axle-mile tax in Ohio may be even greater than the limited field audits indicated. Based on estimated annual vehicle miles of travel by the different vehicle types subject to the mileage tax, the study shows the state should have collected $86,666,924 in Fiscal Year 1980. But only $47,425,588 was actually collected, representing 55 percent of the amount that should have been collected. In general, the study finds that the lighter the vehicle, the lower the compliance. The additional $39,241,336 or 45 percent of the revenues that should have been collected represents either complete noncompliance with the law or an underpayment of the taxes that should have been paid.

The results of this Ohio study dramatically highlight a fundamental problem with a self-reporting tax such as a weight-distance tax. Unless audits are performed on a systematic basis, there is not only lack of payment but also those carriers who pay the tax are placed under a competitive disadvantage. One cannot hazard a guess as to the number of Federal or state auditors which would be required for the 30,000 regulated motor carriers, approximately 100,000 owner-operators, and thousands of private carriers.

As noted earlier, DOT and AASHTO support a federal weight-distance tax. While both claim that compliance and enforcement are not an insurmountable problem, DOT concedes that there is no mechanism at the federal level to handle compliance, and, AASHTO concedes that another layer of bureaucracy would have to be established to overcome these "non-problems."

SUMMARY

While the concept of weight-distance taxes sounds simple in theory, in reality it is immensely complex. The dilemma confronting weight-distance taxes can be summed up as follows:

- If you make the weight-distance tax practical to collect, it will be inequitable;
- If you try to make it equitable, it will be impractical;
- The simpler you make it, the more unfair it is; and
- The fairer you make it, the more complicated its collection becomes.

VII. CONCLUSIONS

The American trucking industry has always been a supporter of good highways. Furthermore, the industry has been willing to pay its fair share of Federal highway taxes. Yet, the tax features of the Surface Transportation Assistance Act destroy the use relationship the trucking industry has historically had with highway funding.

We believe H.R. 2124 and S. 1475 are far superior to the present heavy vehicle use tax which will increase substantially on July 1, 1984. The heavy vehicle use tax should be repealed because:

1. The tax has no relationship to use. Thus, it is not a true highway use tax; rather, it is closer to a property or existence tax;
2. The tax has compliance, evasion, and administrative problems;
3. The tax is excessive and threatens to eliminate any profits for almost one-third of the motor carrier industry; and
4. The tax creates artificial competitive problems within the trucking industry.

These problems will be eliminated or substantially reduced with a diesel differential as proposed in H.R. 2124. It does not require any new forms or procedures. It returns highway funding to a pay-as-you-go system. And it reduces the chance for evasion. The change contained in H.R. 2124 the industry seeks is equitable and returns the truck tax program to a true use basis. For these reasons, we urge Congress to quickly enact H.R. 2124.

Attachment I

ANALYSIS OF

THE DEPARTMENT OF TRANSPORTATION'S CLAIM OF THE BENEFITS ACCRUING TO THE TRUCKING INDUSTRY

FROM THE

SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982

AMERICAN TRUCKING ASSOCIATIONS, INC.

JULY 1983

I. INTRODUCTION AND SUMMARY

On January 6, 1983, President Reagan signed the Surface Transportation Assistance Act of 1982 (STAA). This legislation not only included a 5-cent tax increase on gasoline and diesel, but also included substantial increases in other taxes which apply only to trucks:

- Tire taxes increased from 9.75 cents per pound to as high as 50 cents per pound over 90 pounds;
- Excise taxes on new trucks and trailers increased 33 percent from 10 percent wholesale to 12 percent retail; and
- The heavy vehicle use tax increased 700 percent from a maximum of $240 per year to $1,900 per year.

The results of these tax changes on a typical five-axle tractor semitrailer is to increase average federal highway user taxes from $1,746 per year to $4,249 in 1988.

The STAA also made changes in truck weight, length, and width limits:

- The STAA requires 80,000 pounds gross vehicle weight (gvw) limits nationwide. Prior to STAA, three states — Illinois, Arkansas, and Missouri — did not permit 80,000 pound gvw vehicles;
- The STAA provides for nationwide operation of twin trailer combinations consisting of two 27- or 28-foot trailers pulled by a tractor. Prior to passage of STAA, 14 states in the East did not allow the operation of such vehicles (which had operated extensively in the West); and
- The STAA removed the restrictions against operation of the 60-foot tractor semitrailer combination and the 65-foot twin trailer combination by allowing states to set trailer and semitrailer length limits only, providing those limits are no less than 48 feet for semitrailers operating in a tractor semitrailer combination, and not less than 28 feet per trailer in a twin trailer combination. Companion legislation increased the maximum vehicle width permitted from 96 inches to 102 inches.

On April 29, 1983, Secretary of Transportation Elizabeth Dole spoke before the Private Truck Council on the net impact of STAA. She stated that:

> . . . the trucking industry should show a net gain of $3.2 billion by 1985.[1]

Later in an interview published by U.S. News and World Report, Secretary Dole again repeated her claim:

> I do not believe the additional tax burden levied against trucks as a whole is unfair. By 1985, these larger trucks are going to improve the productivity of trucking to the tune of 4.9 billion dollars a year, we estimate. The higher user charges will cost them only 1.7 billion.[2]

The purpose of this paper is to analyze the Department of Tranportation's claim: Will the trucking industry receive a $3.2 billion productivity benefit? The trucking industry thinks not. In fact, the productivity benefit will be closer to $829 million:

TABLE I

Estimates of Net Productivity Savings
from Surface Transportation Assistance Act of 1985
(1985)
($ millions)

PRODUCTIVITY SAVINGS	DOT	ATA
Eliminate "barrier state" weight limits	$ 830	$ 379
Allow Western Doubles in East	2,310	1,466
Increase trailer lengths	850	366
Increase trailer widths	950	418
SUBTOTAL	$4,940	$2,629
INCREASED TAXES	-1,700	-1,800
NET BENEFIT	$3,240	$ 829

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[1] According to Anthony Kane, Chief, Transportation and Socio-Economic Studies Division, Federal Highway Administration on May 3, 1983, Secretary Dole's estimate was based upon a $5.0 billion total productivity saving from the size and weight package less $1.8 billion in increased user fees.

[2] "There's No Higher Mandate Than to Promote Safety," interview with Elizabeth Dole, Secretary of Transportation, U.S. News and World Report, May 9, 1983, p. 50.

In other words, DOT's productivity estimate is inflated by almost 100 percent. More importantly, DOT's estimate of net benefits is close to 400 percent too high.

II. BACKGROUND

Although DOT's productivity savings estimate is used extensively by the Administration in support of STAA, DOT is unable to provide tangible documentation of the methodology used in its derivation. Dominic Maio, Operations Research Analyst with the Transportation System Center, is largely responsible for the estimate and provided the mileage data used in the calculation via a phone conversation. (See Table II.)

DOT's estimates are primarily based upon a computer simulation of a scenario (labled Scenario "L" by DOT)—[1] which assumes the following:

- 65-foot twin trailers allowed on the Interstate System, nationwide; and
- 80,000 pound gvw limit allowed, nationwide.

Diversion of freight between the modes was not considered.

SAVINGS FROM ELIMINATION OF WEIGHT BARRIER STATES

DOT's barrier state estimate is overstated as a result of the following:

- Interpolation of total miles from loaded miles is based on an inflated empty mileage rate; and
- Allocation of miles saved among the affected states is improper.

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[1] System Design Concepts, Inc., "Additional Truck Size and Weight Analyses: Impact of Allowing Doubles on the Full Interstate System and Using Only the Bridge Formula (B) to Limit Gross Weight," prepared for the Department of Transportation, April 1, 1982. The input data and conclusions appearing in this report differ from those appearing in Table II. However, the assumptions are essentially the same.

TABLE II

DISTRIBUTION OF LOADED INTERSTATE VMT

SCENARIO 'L'
(millions of miles)

	WEIGHT LIMITED 1/		NOT WEIGHT LIMITED				
	Low Limit 18/22/73	High Limit 20/34/80	Partial Load High Density	General Commodity	Other Low Density	Western Doubles	TOTAL Loaded VMT 2/
1982 Base Case	4,573	8,145	5,338	5,335	7,087	2,801	34,357
Scenario L	0	12,324	5,338	3,187	7,087	4,452	33,463
Change in VMT (net)	-394		-497				-891

1/ Conventional Semitrailer Combinations and Single Units

2/ "VMT" = Vehicle Miles Traveled
Will not total; Turnpike Doubles and Triples omitted for presentation

SOURCE: Dominic Maio, Transportation System Center, U.S. Department of Transportation, Cambridge, MA.

DOT translated "loaded miles eliminated" (see change in vehicle miles traveled (VMT) of 394 million miles for weight limited vehicles, Table II) to "total miles eliminated" by assuming 32 percent empty miles. There is no basis for this empty mileage assumption. The Interstate Commerce Commission (ICC) found an empty mileage rate of 20 percent for all traffic.[1] This alone inflates the DOT estimate by 9 percent.

Further, DOT did not properly allocate miles saved among the six states having weight limits below 80,000 pounds gvw in 1981. Table II is a later modified version of Scenario F as presented in DOT's An Investigation of Truck Size and Weight Limits.[2]

Scenario F was based on the following assumptions:

- 65-foot twin trailers allowed on the Interstate and Primary System, nationwide; and
- 80,000 pound gvw limits allowed in Arkansas, Illinois, Missouri, Indiana, Mississippi, and Tennessee.

Scenario L in Table II supposedly assumes a 1982 base case while Scenario F has a 1981 base case (Indiana, Mississippi, and Tennessee changed their weight limits to 80,000 pounds in 1981).

In making the transition from Scenario F to Scenario L, DOT estimated that Indiana, Mississippi, and Tennessee contributed only 2 percent toward the productivity savings of the original six barrier states in 1981. However, as indicated in Table III, the three states that changed their limits in 1981 accounted for 53 percent of the saved miles:

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[1] U.S. Interstate Commerce Commission, Bureaus of Economics and Operations, Empty/Loaded Truck Miles on Interstate Highways During 1976, April 1977, p. 6.

[2] An Investigation of Truck Size and Weight Limits, report to the Secretary of Transportation to the U.S. Congress pursuant to Section 161 of P.L. 95-599 of the Surface Transportation Assistance Act of 1978, April 1981.

TABLE III

STATES NOT ALLOWING 80,000 POUNDS GVW, 1981-1982

MILES SAVED FROM INCREASED WEIGHTS

State	Estimated State Heavy Truck Miles (73,280 lbs. gvw) (millions)	Potential Heavy Truck Miles (80,000 lbs. gvw) (millions)	Savings in Miles (millions)
IN	1,998	1,928	70
MS	699	660	39
TN	1,428	1,375	53
Total change, 1981	4,125	3,963	162
AK	766	740	26
IL	2,517	2,441	76
MO	1,347	1,303	44
Total change, 1981-82	8,755	8,447	308

SOURCE: Roger W. Kolins and Regina T. Selva, "Potential For Conserving Fuel Through Modern Truck Size and Weight Regulations," Issues in Truck Sizes and Weights, Techincal Report, TSW-81-1, American Trucking Associations, Inc., 1981, Table II.

The ATA estimate with adjustments for miles saved is as follows (note that the average cost-per-mile is based on an ATA estimate of $1.706/mile,1/ while DOT's average cost is $1.60/mile2/):

1/ Regina T. Selva and Roger W. Kolins, "The Impact of Gross Vehicle Weights on Line-Haul Trucking Costs: 1981 and 1985," Issues in Truck Sizes and Weights, Technical Report, TSW-81-3, American Trucking Associations, Inc., 1981. Average cost-per-mile of $1.458 in 1981 for trucking in general is estimated from Diagram 10-2 and inflated to $1.706 in 1985 using an annual inflation rate of 4 percent [from Current Budget Estimates, Office of Management and Budget, April 12, 1983]. DOT used an inflation rate of 5 percent for 1980-85.

2/ $$\frac{\$830 \text{ million}}{[394 \text{ million miles } X \ 1.32]} = \$1.60/\text{mile}$$

- DOT estimate of loaded miles saved:[1]

  394 million miles

- Total miles saved (20 percent empty mile rate):

  (394 million miles) (1.2) = 473 million miles

- Total miles saved adjusted for the three weight barrier states which changed their laws in 1981:

  (473 million miles) (.47)[2] = 222 million miles

- Total productivity savings: (1985 dollars)

  (222 million miles) ($1.706/mile) = $379 million

In summary, ATA estimates that total savings from elimination of weight barrier states, based on DOT data, will in fact be $379 million, not $830 million as claimed by DOT.

SAVINGS FROM PERMITTING WESTERN DOUBLES IN THE EAST

The following factors contributed to DOT's overestimate of productivity savings from the nationwide use of Western Doubles:

- DOT overestimated relevant cost-per-mile
  - DOT assumed all expense categories would be equally impacted by a move to Western Doubles. Some carrier costs will not be affected.
- DOT overestimated total miles impacted by 24 percent
  - DOT translated '*loaded* miles eliminated' to '*total* miles eliminated' by assuming 32 percent empty miles. The ICC found an empty mileage rate of 10 percent for general freight traffic.[3]

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[1] See Table II.

[2] See Table III -- percent miles saved by AK, IL, and MS.

[3] *ICC Empty/Loaded Study*, *op*. *cit*.

ATA[1] estimated a reduction in vehicle miles of 509 million accruing from the nationwide use of Western Doubles. DOT estimated 497 million would be saved.[2] Thus, based on a reasonable empty mileage factor, ATA and DOT are in relative agreement on miles saved.

The following estimate, based on the DOT mileage results, is derived when the above discussed errors are corrected:

- DOT estimate of loaded miles saved:

  497 million miles

- Total miles saved (10 percent empty mile rate):

  (497 million miles) (1.10) = 547 million miles

- Total productivity savings: (1985 dollars)

  (547 million miles) ($2.68/mile)[3] = $1,466 million

While the total miles saved is not substantially different, the cost savings are. DOT used a higher empty mileage rate of 32 percent and a substantially higher average cost-per-mile of travel of $4.65. As a result, the DOT estimate of $2,310 million savings from nationwide use of doubles is 37 percent higher than a more reasonable estimate of $1,466 million.

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[1] Roger W. Kolins and Regina T. Selva, "Potential For Conserving Fuel Through Modern Truck Size and Weight Regulations," Issues in Truck Sizes and Weights, op. cit.

[2] See Table II.

[3] 1981 Financial and Operating Statistics, American Trucking Associations, Inc. Components of total cost impacted by increased cubic capacity include linehaul, pick-up and delivery, platform, terminal and maintenance. The adjusted cost-per-mile of $2.29 was inflated by 4 percent per year (from Current Budget Estimates) to 1985.

SAVINGS FROM INCREASED LENGTHS AND WIDTHS

The weight and Western Doubles savings were derived from DOT's computer simulation model. However, because length and width changes had not been considered in DOT's original truck size and weight analysis, the incremental impact of allowing 48- and 28-foot trailer lengths and 102-inch widths[1] was estimated by the DOT using a "back-of-the-envelope" technique. The basis of the DOT estimates, as explained to ATA, is as follows:

A. The traffic impacted was "intuitively" derived from Table II with the results appearing in Table IV:

TABLE IV

TRAFFIC AFFECTED BY INCREASED LENGTHS AND WIDTHS

1985 Loaded Vehicle Miles Traveled (millions)

• Conventional Semis	
General Commodity (LTL)	3,187
Other Low Density (TL)	3,239
Partial Truckload	2,252
TOTAL	8,678
• Western Doubles	4,452

DOT assumed that by 1985, 50 percent of these loaded miles would benefit from the extra capacity. DOT only considered loaded miles in their estimate (i.e., they failed to make the conversion to total miles).

B. Using cost-per-linehaul-mile estimates of $2.26 and $2.42 for semis and doubles, respectively, the following dollar savings estimates were derived by DOT:

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[1] Sixty-five foot twin trailer combinations consisting of two 28-foot or 28½-foot trailers pulled by standard tracters were used extensively in the Western states prior to passage of STAA. Removal of the overall length limit simply makes this combination possible with a conventional tractor. DOT, however, assumed a base case of 27 feet for Western Double combinations. The ATA estimate does not correct for this assumption and is, therefore, conservative.

TABLE V

COST SAVINGS FROM INCREASED LENGTHS AND WIDTHS

(millions of 1985 dollars)

	Length	Width
Semis	\$653[1]	\$612[3]
Doubles	\$198[2]	\$336[4]
TOTAL	\$851	\$948

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[1] $[(8{,}678 \times 10^6)(.5)(3/45)]\ 2.26 = \$653 \times 10^6$

[2] $[(4{,}452 \times 10^6)(.5)(2/54)]\ 2.42 = \$198 \times 10^6$

[3] $[(8{,}678 \times 10^6)(.5)(6/96)]\ 2.26 = \$612 \times 10^6$

[4] $[(4{,}452 \times 10^6)(.5)(6/96)]\ 2.42 = \$336 \times 10^6$

There is no reason that partial truckload carriers would benefit from the increased capacity. Furthermore, DOT's assertion that by 1985, 50 percent of those miles which would be impacted by the increased capacity will benefit 100 percent of the time is unreasonable in today's economic environment.

ATA is convinced the percentage of miles which will benefit from the increased capacity will be much less. A more reasonable estimate can be derived as follows:

Assumptions:

- 1/7 of the fleet will be replaced each year (7-year useful trailer life);
- only 90 percent of extra capacity will be realized; the approximate industry load factor is 90 percent; 1/
- new replacement trailers will be favored in equipment selection decisions; the average number of miles traveled will be 20 percent higher than for those replaced; and
- total system miles will be impacted; therefore, loaded miles are converted to total miles in calculating the productivity savings.

General Calculations:

$$\text{Miles Reduced} = \begin{bmatrix}\text{Susceptible} \\ \text{Miles}\end{bmatrix} \begin{bmatrix}\text{Percent Miles} \\ \text{Impacted}\end{bmatrix} \begin{bmatrix}\text{Percent Extra} \\ \text{Capacity}\end{bmatrix}$$

Where,

$$\begin{matrix}\text{Percent} \\ \text{Miles} \\ \text{Impacted}\end{matrix} = \left[\frac{1}{\begin{pmatrix}\text{\% capacity} \\ \text{loaded}\end{pmatrix}\begin{pmatrix}\text{extra} \\ \text{capacity}\end{pmatrix}}\right] \begin{bmatrix}\text{increase new} \\ \text{equipment} \\ \text{average miles}\end{bmatrix} \begin{bmatrix}\text{\% fleet} \\ \text{new equipment} \\ \text{(2 years)}\end{bmatrix}$$

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[1] This phenomena is discussed in Roger W. Kolins' "Truck Size and Weight Limits: Their Impact on the General Freight Common Carrier Costs and Market," Transportation Research Board Proceedings, 1977. General freight industry average estimated at 90 percent from unpublished survey results.

From Selva and Kolins, the appropriate costs are 176.7 cents-per-mile and 179.4 cents-per-mile for general freight semis and doubles, respectively. Table VI provides the calculations and results, given the adjusted inputs. It also demonstrates that using reasonable estimates of probable fleet replacement and of costs-per-mile saved, the total savings in 1985 from increased trailer length will only be $366 million, not $850 million as assumed by DOT. Savings from increased width will total only $418 million in 1985, not $950 million.

III. TOTAL PRODUCTIVITY BENEFITS ACCRUING TO THE TRUCKING INDUSTRY FROM STAA — ATA vs. DOT

Based on all of the factors, ATA concludes that the actual 1985 benefits from STAA are $2,629 million. (See Table VII.)

TABLE VII

ESTIMATES OF NET PRODUCTIVITY SAVINGS FROM SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982
1985
($ millions)

PRODUCTIVITY SAVINGS	DOT	ATA
Eliminate "barrier state" weight limits	$ 830	$ 379
Allow Western Doubles in East	2,310	1,466
Increase trailer lengths	850	366
Increase trailer widths	950	418
SUBTOTAL	$4,940	$2,629
INCREASED TAXES	-1,700	-1,800
NET BENEFIT	$3,240	$ 829

TABLE VI

PRODUCTIVITY SAVINGS FROM INCREASED WIDTH AND LENGTH

ATA ESTIMATE

Vehicle Type	Change	Susceptible Miles (millions)	Percent Miles Impacted	Extra Capacity	Total Miles Reduced 1/ (millions)	Cost-Per-Mile (cents)	Productivity Savings (millions)
Semi-trailer	45 to 48 feet	6,426	$\left[\frac{1}{(.9)(1.067)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(3/45) = .060	148	176.7 2/	$262
	96 to 102 inches	6,426	$\left[\frac{1}{(.9)(1.0625)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(6/96) = .056	139	176.7 2/	$246
Doubles	27 to 28 feet	4,452	$\left[\frac{1}{(.9)(1.0370)}\right]\left[1.2\right]\left[.28\right] = .36$	.9(2/54) = .033	38	179.4 3/	$104
	96 to 102 inches	4,452	$\left[\frac{1}{(.9)(1.0625)}\right]\left[1.2\right]\left[.28\right] = .35$	.9(6/96) = .056	96	179.4 3/	$172
						TOTAL	$784

1/ Assumes general freight empty mileage factor of 10%.

2/ 151.0¢/mile in 1981; @ 4% annual inflation, 176.7¢/mile in 1985, from "Impact of Gross Vehicle Weights," p. 130.

3/ 153.3¢/mile in 1981; @ 4% annual inflation, 179.4¢/mile in 1985, from "Impact of Gross Vehicle Weights," p. 130.

The ATA estimates are based on historic industry replacement factors and reasonable expectations of replacement action by 1985 based on industry finances and trailer industry capacity. Operating costs for 1981 are derived from actual ICC records and inflated by 4 percent per year to 1985. As a consequence, a reasonable estimate of savings versus tax increases is only $829 million.

This leaves perilously little net benefits for an industry which has suffered severe financial blows since 1980. Since these savings estimates are tentative, at best, and subject to full implementation of the size and weight changes in all states, the huge increase in federal taxes may easily exceed the actual benefits by 1985.

Further, motor carriers have incurred many large increases in state highway user taxes. For example, in Pennsylvania, out-of-state based truckers paid $2 per vehicle fee in 1977. Last year that fee increased to $25 and this year a new $35 per axle tax was enacted causing a further increase of $180 annually on all out-of-state vehicles — regardless of the number of miles traveled in Pennsylvania. Fleet operators in Maryland used to pay $5 per fleet. This year they are paying $25 per truck, again, regardless of the number of miles traveled. In Illinois, all trucks will pay a 20 percent increase in registration fees and face a 6¢ increase in the state's 7½ cents diesel fuel tax. State highway user taxes will undoubtedly overwhelm the small increase in productivity benefits for the trucking industry by 1985.

Attachment II

ADDITIONAL COMMENTS OF THE

AMERICAN TRUCKING ASSOCIATIONS, INC.

on the

DEPARTMENT OF TRANSPORTATION'S

Working Paper

of the

ALTERNATIVE HEAVY TRUCK USE TAX STUDY

FHWA DOCKET NO. 83-8

September 30, 1983

OVERVIEW

The National Accounting & Finance Council (NAFC) of the American Trucking Associations, Inc. (ATA) has conducted a direct mail survey of its members to ascertain the direct and indirect costs associated with a proposed federal weight-distance tax on motor vehicles, as defined by the DOT working paper.

The NAFC is an organization within ATA which represents some 1,400 accounting and financial executives in the motor carrier industry. These executives represent motor carriers of all revenue and fleet sizes as well as all types of operations throughout the United States and Canada.

The NAFC maintains working relationships and serves as liason for its members, with various financial and accounting entities affecting the trucking industry. These include the Financial Accounting Standards Board, Internal Revenue Service, Interstate Commerce Commission, Securities and Exchange Commission and others. Clearly, our members are very familiar with the federal and state taxation issues and represent a sizeable segment of the motor carrier industry.

This survey was developed primarily to analyze the costs associated with a federal weight distance tax considered to be "most feasible" by the DOT working paper, Alternative Heavy Use Tax Study.

The results of this survey are offered as an addendum to the ATA response to the DOT preliminary study and should be considered as an integral part of that document.

Sample Surveyed

NAFC surveyed 866 member motor carrier companies, to which 188 responded. Of this sample, 31 were deleted*. Thus, the analyses shown and conclusions drawn are based on a sample of 157 carriers which represents an 18% return of the population polled.

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* Twenty-nine questionnaires were returned incomplete and two stated astronomical costs which would have skewed the results. It is important to note that carriers estimating a very low administrative cost associated with compliance were not deleted.

Survey Data and Assumptions

Information gathered from each carrier included the following:

- Gross revenue for 1982
- Method of complying (manually or computerized) with current Federal Highway Use Tax (FHUT)
- Method of complying (manually or computerized) with state weight/distance taxes
- Total number of vehicles registered over 33,000 lbs. gross vehicle weight
- Estimated cost to comply with current federal highway use tax
- Estimated cost to comply with a federal weight-distance tax

Since the DOT proposal did not discuss the particulars of a federal weight-distance tax, each carrier was requested to make the following assumptions in computing estimated compliance costs:

1. Four quarterly returns per year would be required to be filed with IRS
2. Certain information would be required on the return:
    a. number of vehicles by weight category
    b. miles traveled by vehicles in each weight category
    c. tax computation using respective tax rate and miles traveled in each weight category
3. Due date for each return would be 30 days after the end of calendar quarter period
4. Each taxable vehicle would require some sort of identification document inside or outside the cab

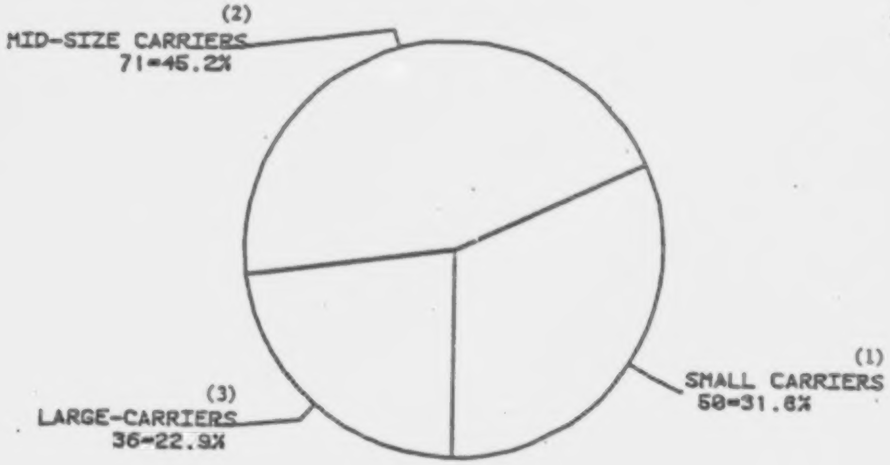
Given these assumptions, each carrier estimated the administrative cost of compliance for the current federal highway use tax (FHUT) and the proposed federal weight-distance tax (FWDT). Each carrier had to consider their own facts and circumstances. Compliance costs were stated in terms of dollars per year; and consideration was given to, but not limited to, costs incurred for (1) clerical and supervisory time required for data accumulation, preparation and review of the returns; (2) computer program maintenance (where applicable), mileage system maintenance, and equipment needs; (3) clerical and supervisory time required for filing applications and placement of vehicle identification documents; and (4) costs related to owner-operator payments and compliance (where applicable).

SURVEY RESULTS

Size of Carriers Sampled

The chart below illustrates 32% of the sample reported 1982 gross revenues below $10 million.* Forty-five percent (45%) reported revenues of $10 to $50 million, and 23% reported gross revenues of $50 million or more. The carriers sampled operate over 70,000 vehicles registered over 33,000 lbs.

CARRIER SAMPLE MAKE UP



(1) Revenues less than $10 million

(2) Revenues $10 million - $50 million

(3) Revenues $50 million or more

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* The Small Business Administration (SBA) defines a small business as one with gross revenues less than $7 million. Presently, the SBA is proposing to increase this level to $12 million. For purposes of this survey, a compromise of $10 million was used for the purposes of comparing small trucking companies with mid-size and larger carriers.

Method of Complying With Federal Highway Use Tax

For purposes of complying with the current FHUT, carriers were asked if records were kept manually, on computer or maintained by an outside service.

As illustrated below, the majority of carriers maintain their records for compliance with the FHUT on a manual basis.

This information by revenue classes indicates that the majority of small and mid-size carriers keep records on a manual basis for purposes of FHUT. However, fifty percent (50%) of the larger carriers responded that their records are computerized.

Breakdown of Compliance Method By Revenue Size for FHUT

PERCENTAGES

	Manual	Computer	Outside Service	Combination	N/A*	Total
Small (less than $10 M)	74.0	16.0	0	6.0	4.0	100.0
Mid-Size ($10-$49.9 M)	62.0	26.8	1.4	9.9	0	100.0
Large ($50 M +)	27.8	50.0	0	22.2	0	100.0
ALL CARRIERS	58.0	28.7	0.6	11.5	1.3	100.0

Note: Percentage may not add exactly to 100% due to rounding

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*Those carriers responding not applicable indicated that they use owner-operators who are responsible for compliance with the tax.

Method of Complying With State Weight-Distance Taxes

Carriers were asked what method was used for compliance with state weight-distance taxes. It is important to note that only 20% of the states have such a tax, none of which mirrors the proposed federal weight-distance tax.

As shown in the chart below, a larger number of small carriers comply on a computerized basis for state weight-distance taxes compared to those complying with the FHUT. Mid-size and large firms are generally forced to use computers or a combination of methods for compliance purposes.

This finding suggests that a federal weight distance tax would require significantly more automation costs for compliance, especially for smaller and medium size companies, than is presently required for compliance with the FHUT.

Breakdown of Compliance Method By Revenue Size for State Weight-Distance Taxes

PERCENTAGES

	Manual	Computer	Outside Service	Combination	N/A*	Total
Small (less than $10 M)	58.0	28.0	0	8.0	6.0	100.0
Mid-Size ($10-$49.9 M)	22.5	62.0	2.8	11.3	1.4	100.0
Large ($50 M +)	11.1	55.6	2.8	27.8	2.8	100.0
ALL CARRIERS	31.2	49.7	1.9	14.0	3.2	100.0

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*Carriers indicating not applicable, do not operate in states having weight-distance taxes.

Compliance Cost Per Truck

Using the survey information and cross tabulations, it was determined that the majority of small motor carriers currently incur about $15 per truck in administrative cost for purposes of complying with the FHUT. If a federal weight-distance tax were enacted, this "hidden tax" would jump to $102 per truck, which translates into a 590% increase.

A mid-size carrier currently incurs approximately $12 per truck in administrative costs to comply with the current FHUT. This would compare to an estimate of $52 per truck or a 330% increase for a federal weight distance tax.

A large carrier presently incurs approximately $3.50 per truck to comply with the current FHUT, as compared to nearly $13.50 per truck for a federal weight-distance tax or 290% more.

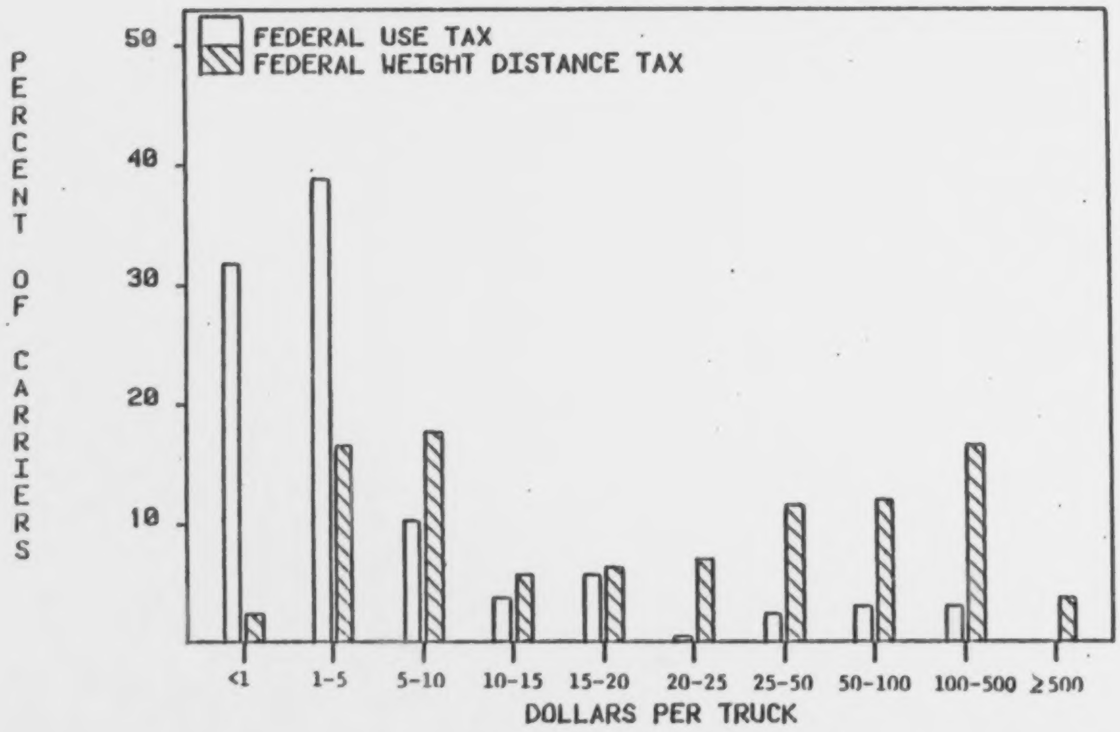
Clearly, a federal weight distance tax would substantially increase the compliance cost for all carrier revenue groups.

Exhibits 1 through 4 illustrate the compliance cost for the federal use tax compared to a weight-distance tax, summarized for all carrier revenue groups and broken down for each revenue group. Notice that for each revenue group the compliance cost for most carriers is less than $5 per truck. The impact of a weight distance tax widens the range of cost per truck putting an additional burden among all carriers.

Exhibits 5 and 6 highlight the effect of each tax among all three revenue groups. Currently, all carriers incur relatively low compliance costs for the use tax; however, the impact of a federal weight-distance tax would be felt significantly by carriers with revenues less than $50 million, with particular effect on the smaller carriers under $10 million.

Exhibit 1

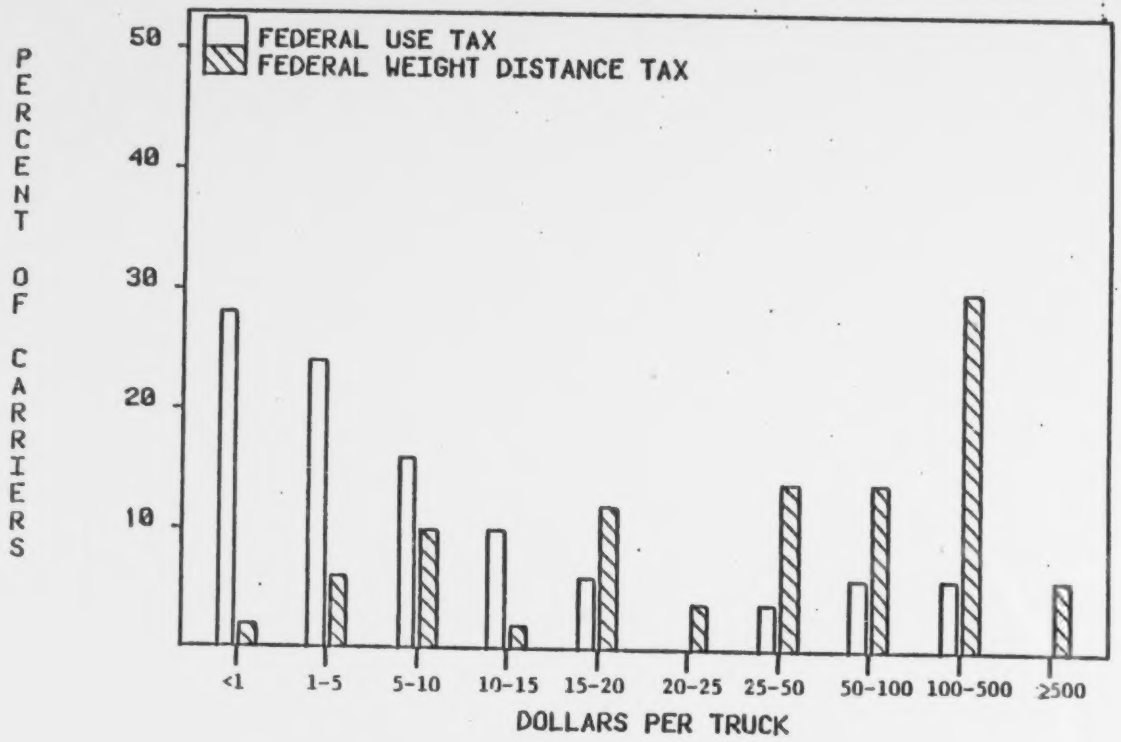
COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
SUMMARY FOR ALL CARRIER REVENUE GROUPS



A proposed federal weight distance tax would cost significantly more per truck for a larger percent of the carriers surveyed than the current federal highway use tax.

Exhibit 2

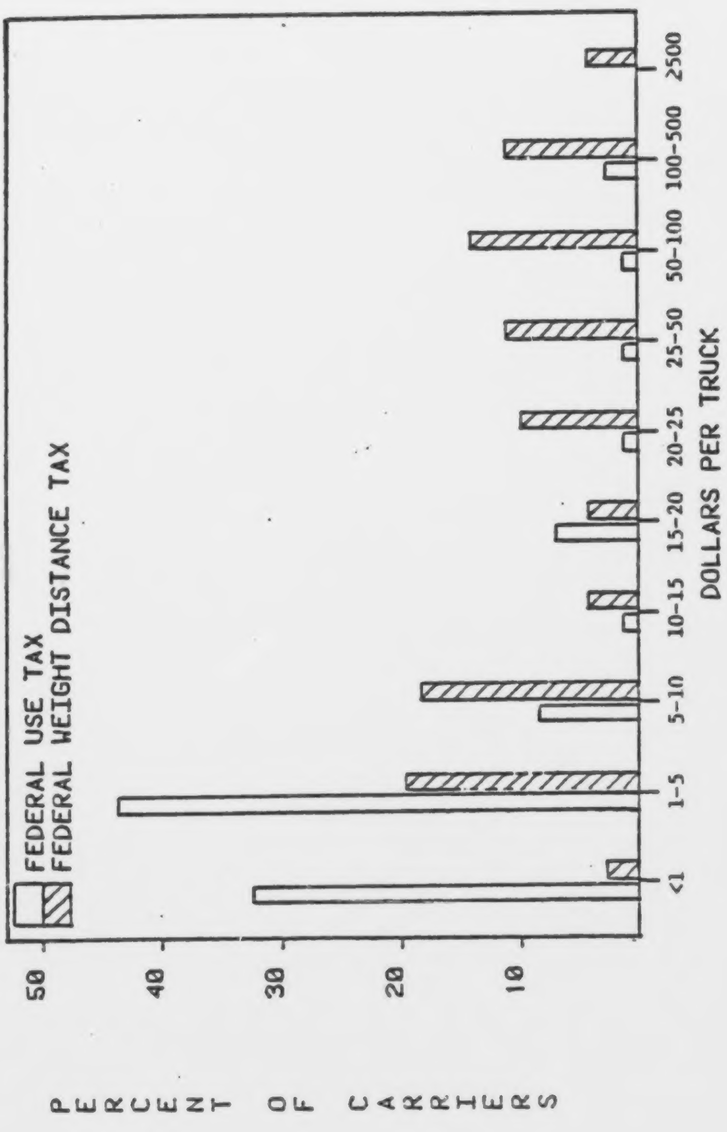
COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES LESS THAN $10 MILLION



Smaller carriers in particular would be severely impacted by a new federal weight distance tax since a large percentage of them would pay more per truck than under the federal highway use tax.

Exhibit 3

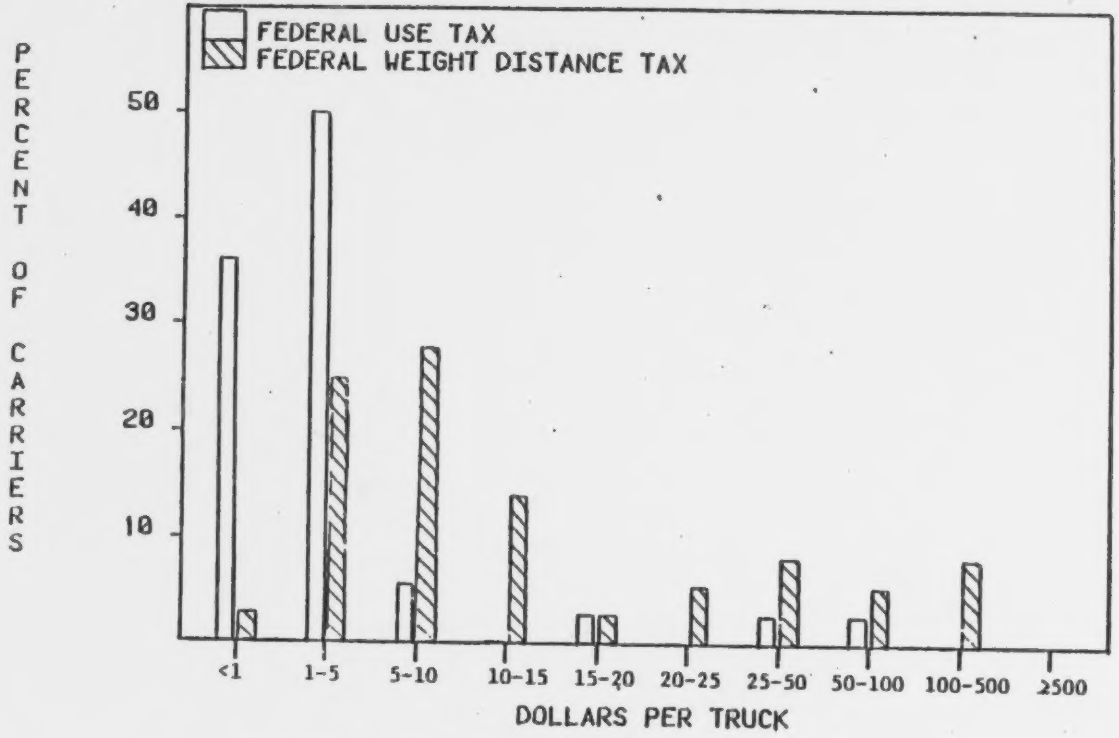
COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES $10 MILLION - $50 MILLION



Medium size carriers would also be significantly affected in terms of cost per truck.

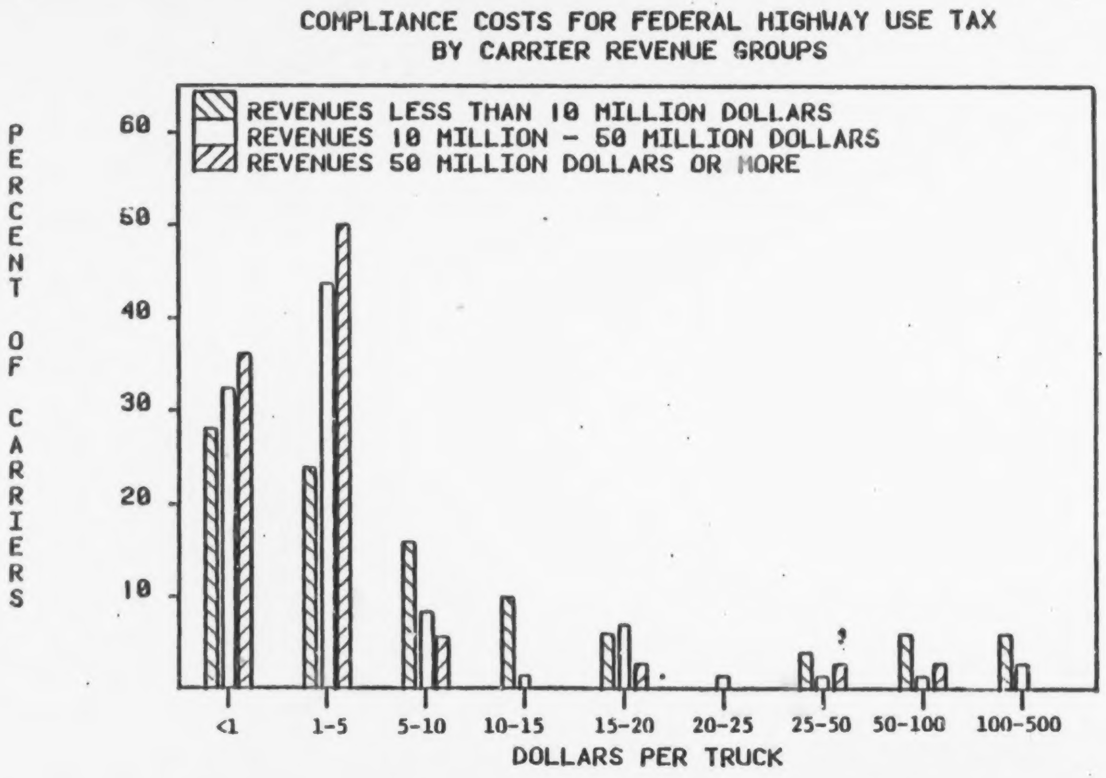
Exhibit 4

COMPLIANCE COSTS: FEDERAL USE TAX VS WEIGHT DISTANCE TAX
CARRIERS WITH REVENUES $50 MILLION OR MORE



Larger motor carriers would still be affected, but much less than the smaller or medium sized carriers.

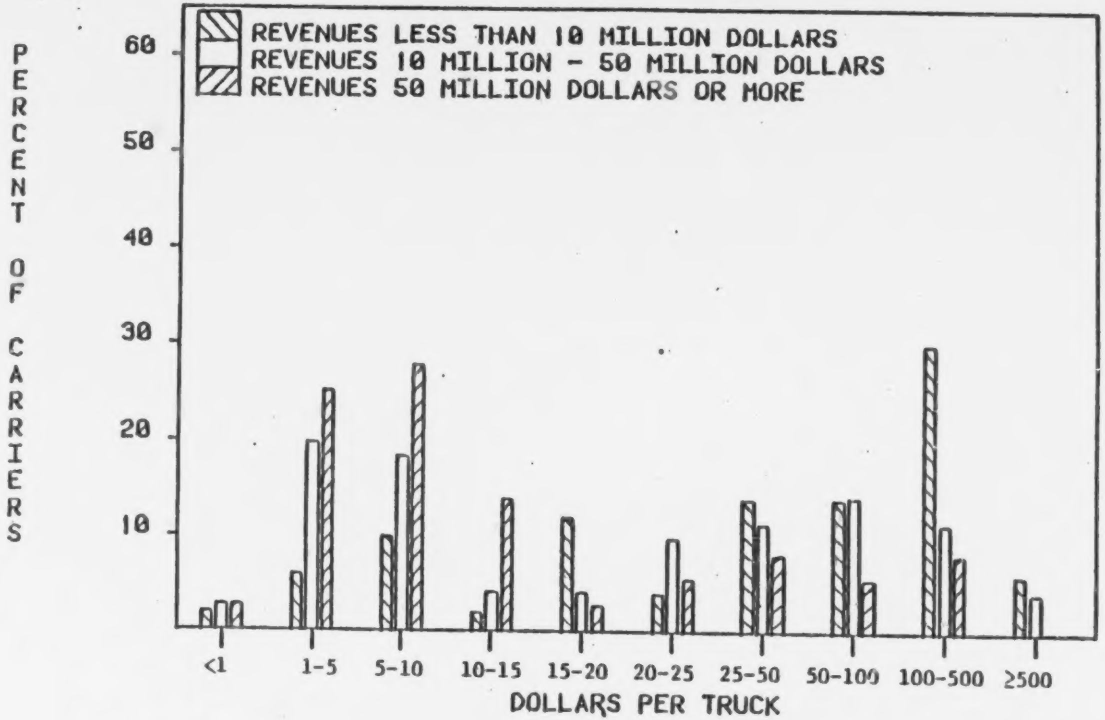
Exhibit 5



Compliance costs of the present federal highway use tax is very low for all three revenue groups.

Exhibit 6

COMPLIANCE COSTS FOR FEDERAL WEIGHT DISTANCE TAX
BY CARRIER REVENUE GROUPS



Compliance cost of a proposed federal weight distance tax is much higher for all revenue groups, in particular the smaller motor carriers.

CONCLUSION

In summary, a federal weight-distance tax would impose an unjustifiable and prohibitive administrative burden on the motor carrier industry.

Conclusions drawn from this survey clearly demonstrate that the heaviest burden to comply with such a tax would be borne by the small and medium size carriers, of which the majority are not sufficiently automated to comply with a federal weight-distance tax.

Our analysis can in no way be construed to support the present FHUT. On the contrary, we believe that the size of the FHUT is onerous and unfair as we have previously stated.

We merely are presenting the results of a survey which demonstrate how unprepared our industry is in terms of automation to comply with a federal weight-distance tax and how expensive such a tax would be on an industry already suffering from the ills of deregulation and recession.

We did not even attempt to define the problems and administrative costs that would occur for the Department of Treasury in administering a federal weight distance tax. Obviously, at a minimum, a uniform mileage system would have to be developed, a system to deter evasions would be required and a sizable bureaucracy for collection and administration would evolve. Certainly, this runs counter to the Administration's desire to curb excess spending and bureaucratic red-tape.

We continue to support wholeheartedly a diesel differential concept for a fair and equitable highway tax vehicle and offer it as the only viable alternative to the present FHUT. The administrative costs would be minimal, the enforceability much more reliable and the burden of the tax would be spread on a fair and equal basis.

Mr. GIBBONS. What do you think of the weight/distance tax? That seems to be what you're advocating.

Mr. WHITLOCK. Mr. Chairman, the weight/distance tax, as indicated by the other witnesses, is a very simplistic approach. More States have repealed the weight/distance tax than do have them today, primarily because of the tremendous administrative problems resulting from a weight/distance tax.

Certainly, Mr. Chairman, it is a self-reporting tax, and I cannot imagine the number of Federal auditors that would be necessary to audit the returns of 30,000 regulated trucking companies, plus 100,000 or more owner-operators.

It is a self-reporting tax, open to wide noncompliance.

Mr. GIBBONS. You don't think there will be any noncompliance in the claims for refunds?

Mr. WHITLOCK. There are no refund claims on trucks, Mr. Chairman.

Mr. GIBBONS. Oh, I know, but I'm talking about all of the car operators and the below 10,000 pound operators. All of those—you don't think there will be any problems auditing those?

Mr. WHITLOCK. There may be some, Mr. Chairman. However, the amount of money you are talking about is infinitesimal compared to the amount of money we are talking about in the truck use tax.

Mr. GIBBONS. What States have repealed the weight/distance tax?

Mr. WHITLOCK. Mr. Chairman, in the interest of time, I will be glad to give those to you. My statement outlines all of the States that once had them and the experiences they have had.

Mr. GIBBONS. Fine. I'll look in your statement then.

Other questions of Mr. Whitlock?

Mr. DUNCAN. I just want to thank you for your testimony, Mr. Whitlock.

Mr. FRENZEL. Mr. Chairman, one of the previous witnesses indicated that his transit system used No. 2 diesel and that people would do that to avoid taxation.

I assume that for those who want to ruin their engines, there is sufficient incentive in the scale now for them to do so, isn't there?

Mr. WHITLOCK. They can do it today, Mr. Chairman—I mean Mr. Frenzel. I mention that in my detailed statement on page IV-5. Obviously, it causes engine problems the engine warranty does not cover. Switching fuels is easily detectable when they use fuels such as heating oil. The engine warranty will not take care of that.

We do not see fuel switching as a problem.

Mr. FRENZEL. My judgment is that the cents per gallon tax is one that is self-policing.

Mr. WHITLOCK. That is right.

Mr. FRENZEL. And it is one that doesn't encourage people not to license their units and then use them when the extra business occurs, as might be expected under the law now on the books.

It seems to me that it is the system least prone to fraud that we could develop.

Mr. WHITLOCK. And the easiest to administer, Mr. Frenzel.

Mr. FRENZEL. The very simplest kind of administration.

I thank you for your persistence on this matter. It has been strung out over a long period. I hope we are getting someplace in the solution.

Thank you very much.

Mr. GIBBONS. Thank you, Mr. Whitlock.

Next will be a panel of private truckers: The Private Truck Council of America, the Independent Truck Owner-Operators Association, the Owner-Operators Independent Drivers Association of America, the Independent Truckers Association; the Chicago Regional Trucking Association; and the Delmarva Independent Truckers Association.

Will all of those ladies and gentlemen come forward? We would appreciate it.

I would like to note at this time that Chairman Rostenkowski is tied up in a delegation meeting. He would like to be here, but he's familiar with this testimony and he will be reviewing it.

All right. Let's see; let's go to Mr. Henderson first.

STATEMENT OF RICHARD D. HENDERSON, EXECUTIVE VICE PRESIDENT, PRIVATE TRUCK COUNCIL OF AMERICA, INC., ACCOMPANIED BY RICHARD SCHWEITZER, LEGISLATIVE COUNSEL

Mr. HENDERSON. Thank you, Congressman.

I'm Richard Henderson, executive vice president of the Private Truck Council of America. With me today is our legislative counsel, Mr. Richard Schweitzer.

In 1983, private carriage accounted for 66 percent of all motor carrier traffic on the Nation's highways, far and above most, if not all, of the groups before you today.

Mr. GIBBONS. Let me interrupt.

I assure you we appreciate that sign there, so I could see it, but could we move it over here past the clerk?

Mr. HENDERSON. I'm not sure you can read it at that distance.

Mr. GIBBONS. I can see it.

Mr. HENDERSON. The Private Truck Council of America represents the interests of approximately 1,800 corporations engaged in private carriage, with over 2 million trucks in operation. Our members include many Fortune 500 corporations as well as numerous smaller concerns.

In the interest of time, I will abbreviate my remarks today.

Mr. GIBBONS. All of your remarks will be included in the record.

Mr. HENDERSON. No. 1, we oppose and have opposed the pure diesel differential, whether it is 5 cents in 2124, 6 cents in DOT, 7 or cents, which probably more realistically it would have to be according to the DOT's revenue requirements.

We oppose it primarily because of the impact it would have on the lighter weight trucks in the weight range between 10 and 33,000 pounds.

And as our chart indicates, 76 percent—and these are the DOT's figures—76 percent of all of the trucks on the highway are within that weight category.

What kinds of trucks are these? These are the beer delivery trucks, the soft drink trucks, the bakery trucks, the milk and ice cream delivery trucks, the Sealtests, the Bordens, the Anheusers, and the Pabsts.

This is the weight category most at stake today in the various alternatives we're talking about, and 40 percent of the trucks within that weight range are diesel. They have converted to diesel within the last 5 to 7 years, and the trend toward conversion to dieselization in that weight category is continuing.

Mr. GIBBONS. Would you go back over that? My attention was distracted for a minute.

Mr. HENDERSON. Sure.

I was saying we oppose the diesel differential primarily because of the impact it would have on the weight category of 10,000 pounds to 33,000 pounds. That weight category, Congressmen, represents—and these are the DOT's figures on our chart—almost 76 [sic] percent of all the trucks on the highways today; 40 percent of that amount are diesel.

The trend toward dieselization in the lighter weight trucks began with the onset of the energy crises and is still continuing. These are the beer trucks, the soft drink trucks, the bakery, milk, and ice cream delivery trucks.

These are the ones that would be unfairly taxed under a pure diesel differential, whether it be 5, 6, 7, or 9 cents. And it would also seriously distort the allocation formula which we have heard much about this morning by causing the trucks in this weight category to pay far more than their share of the wear and tear on the highways.

We would submit that a pure diesel differential is a disincentive to the efficient and economic operations of truck fleets today.

Now, the DOT plan, plan 4 described earlier today, contains a six-cent diesel differential and a $650 fixed fee. As you can see on the chart—well, hopefully, you can see—if not, it's on the last page of my testimony—it increases the tax burden on every weight category with the exception of the 80,000-pound truck.

By the way, these figures are obtained from a survey of our members. It does provide some relief at the 80,000 pound level to the tune of about $17. In every other weight category, DOT plan 4 is actually worse than the STAA.

Therefore, we oppose that outright. So what is the proposal of the private truck council? How do we propose to lessen the burden and still maintain the revenue neutrality requirement of the DOT?

It is a 2-cent, a nominal diesel differential. We have to concede the payment of some sort of diesel differential, but not at 5 cents, not at 6, 7, or 9-cent level. The 2-cent level, according to our chart, is at least tolerable at the lighter- and middle-weight truck, at the light- and middle-weight truck categories. It allows us to some extent to lessen the burden on the heavier trucks, to bring down their maximum use tax in the range of $1,200, which as you may recall, was the ceiling set by the Boschwitz amendment which passed the Senate some 95 to 1 back in the closing days of 1982. It lessens the burden on the heavier truck, but not to the extent of the other plans brought before you today.

We've agonized over this in our membership. We have surveyed them and we have considered this countless hours. There really is no perfect plan, but the balance we have come up with today, which is a reduction of the STAA use tax in half, plus a 2-cent diesel differential, is the best alternative, in all sincerity, that we can come up with.

Therefore, this committee does maintain revenue neutrality which the DOT has required.

So I believe that summarizes our position today, Congressmen. I would be glad to submit to any questions. Again, it's not an easy task. It is difficult. It was very difficult for us to arrive at this consensus with our members.

Mr. GIBBONS. Let's hear the whole panel, and then we will come back and ask questions. I do have questions for you.

[The prepared statement follows:]

STATEMENT OF RICHARD D. HENDERSON, EXECUTIVE VICE PRESIDENT, PRIVATE TRUCK COUNCIL OF AMERICA, INC.

INTRODUCTION

My name is Richard D. Henderson. I am Executive Vice President of the Private Truck Council of America. With me today is our Legislative Counsel, Richard Schweitzer.

In 1983, private carriage accounted for 66% of all motor carrier traffic on our nation's highways.[1] The Private Truck Council of America represents the interests of approximately 1,800 corporations engaged in private carriage with over 2,000,000 trucks in operation. Our members include many Fortune 500 corporations as well as numerous smaller concerns.

PTCA is vitally concerned with ensuring that adequate funding is provided to revitalize the national highway transportation system. However, we are equally concerned that the fees instituted to generate these funds are equitably assigned to the various classes of highway users.

As an alternative to the disproportionately burdensome use tax schedules of the STAA, PTCA analyzed the effect of a 5¢ per gallon increase in the diesel fuel tax. In April, 1983, we surveyed our membership on weight, mileage and truck population figures, and received a data base of almost 100,000 trucks. This survey is more current and accurate than any other work submitted on this issue. We have spent countless staff hours assessing the annual tax liability per truck and the total revenue generated by each plan. The result of our study was that we could not endorse either the existing STAA use tax schedule or a 5¢ diesel differential. Nor can we endorse the Department of Transportation's Proposal 4, promoted by Secretary Dole. We therefore have developed our own proposal for federal highway user fees.

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[1] "Fleet Owner" Magazine, January, 1984: Vol. 79, No. 1, p.61.

PTCA DOES NOT SUPPORT A DIESEL DIFFERENTIAL

"Pay as you go" sounds quite fair - your tax is based on the miles you travel. With two vehicles of the same size, "pay as you go" is the most equitable way of assigning a tax payment. However, the total population of trucks on the highways is comprised of a vast array of types and weights, from a 10,000 pound local bread delivery truck to an 80,000 pound over-the-road hauler. And all parties agree that the heavier trucks do more damage to the highways, and should therefore pay more taxes than their lighter counterparts.

A diesel differential requires all vehicles, regardless of weight, to pay at the same rate per gallon of fuel consumed. Under the 1982 STAA use tax rates, vehicles between 10K and 33K pounds pay a 9¢ fuel tax but no use tax. With a diesel differential, though, all vehicles over 10,000 pounds pay at the same rate.

When we look at the number of vehicles involved, the difference becomes even more striking. According to DOT projections, by 1985 there will be 7,550,468 vehicles over 10K pounds on the highways. Of these, 76.8% or 5,796,255 are between 10K and 33K pounds. Of these 5.8 million lightweight vehicles, some 38.9% or 2.25 million, are diesel powered, and thus liable to pay any increase in diesel fuel taxes. We see no reason that the trend toward conversion to diesel in this weight category will not continue.

A diesel differential, then will expand the tax base from 1.75 million vehicles, paying on a progressive scale based on gross vehicle weight, to 4 million vehicles, all paying the same rate per gallon. Such a comprehensive change in the tax base flies in the face of the DOT Cost Allocation Study, which states unequivocably that heavier vehicles have not been paying their fair share

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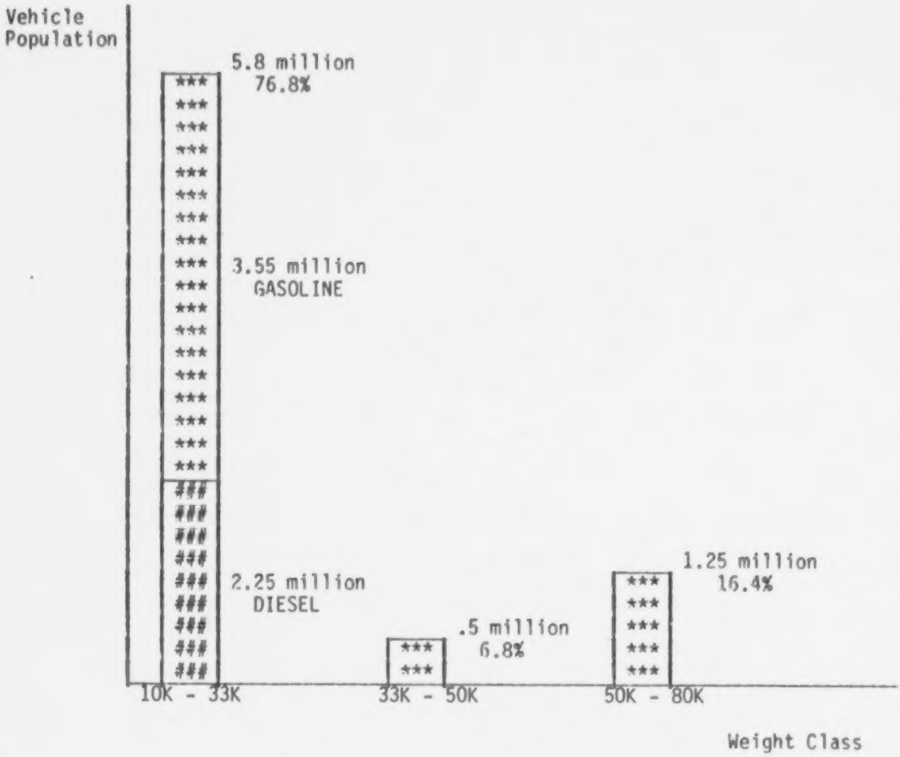

1985 Truck Population Projections

Note: AGGREGATE figures are 1985 DOT projections; diesel figures for 10K - 33K class derived from 1983 PTCA member survey data and MVMA sales figures.

of highway reconstruction costs. A diesel differential only exacerbates this inequity by eliminating use taxes based on weight and substituting a fuel tax rate that funds highway rehabilitation on the backs of the lighter weight vehicles.

PTCA'S USE TAX ALTERNATIVE IS EQUITABLE

PTCA's alternative proposal employs a nominal 2¢ per gallon diesel differential with a graduated use tax up to a maximum of $950. This reduces some of the use tax burden on the heaviest vehicles by enacting a palatable 2¢ fuel tax increase on the vast number of lightweight diesel vehicles. PTCA's members operating lightweight vehicles are willing to accept a nominal fuel tax differential; they will not, however, agree to shouldering the responsibility of repairing pavement damage caused by heavier counterparts.

PTCA'S USE TAX ALTERNATIVE IS REVENUE NEUTRAL

PTCA's plan will also raise the same amount of revenue as the STAA use tax. DOT estimated when the STAA was enacted in December, 1982, that the STAA would raise $72.2 billion over six years. By January, 1984, this estimate has been raised to $73.3 billion, with further increases expected. DOT also estimates that PTCA's plan will raise $1.2 billion less than the $73.3 billion figure over six years.

However, DOT's total revenue estimates are based on outdated, inadequate truck population and mileage figures. DOT estimates for 1985 indicate that diesel vehicles will make up only 9.5% of the vehicles in the 10K - 33K pound weight class. However, PTCA's April, 1983, member survey, encompassing almost 100,000 vehicles, shows 38.9% diesel-powered vehicles in this weight class.

continued . . . .

Sales figures also reflect this trend toward diesel conversion of fleets. In 1973, according to data compiled by the Motor Vehicle Manufacturers Association, sales of diesel vehicles amounted to only 6.6% of the total vehicle sales in the 10K - 33K pound class. By 1981, this figure had risen to 48.6% of total sales in the class, and the trend is toward even greater diesel conversion in the future.

How could DOT's figures by off so much? Because their population data dates from a 1977 Truck Industry and Use Survey, when diesel percentages were still quite low. Projections for 1985 and the 1983-1988 period were based on general economic indicators without specific reference to changes in the trucking industry or any apparent adjustment for diesel conversion.

How much difference does this error make? By using 38.9% diesel vehicles instead of 9.5% in the 10K - 33K weight class, the population of trucks subject to a diesel fuel tax increases from 550,644 to 2,254,743. With PTCA's 2¢ per gallon diesel differential, these previously uncounted 1.7 million vehicles, traveling an average of approximately 49,000 annual miles and averaging 11.16 MPG (both 1983 PTCA survey results) will pay an extra $150 million per year in fuel taxes. Over five years, this amounts to a $750 million revenue gain just by employing accurate diesel figures.

In addition, DOT average mileage estimates are based on the 1977 data updated solely by general economic indicators. Thus, they do not reflect recent changes in driving operations which have significantly increased annual mileages per power unit.

For example, team driving (one person drives while the other rests, permitting 16 hours of operation per day) has allowed some over-the-road vehicles

continued . . . .

to travel upwards of 200,000 miles per year. These increased mileages would substantially raise the fuel tax paid by these heavier vehicles.

DOT claims an 80K pound vehicle will average 65-70,000 annual miles, depending on its structure and the number of axles. PTCA's survey showed an average of 89,482 annual miles for the same weight class. DOT's average, besides not accounting for driving trends, also includes many vehicles in part-time use which would not be taxable under the less than 5,000 annual miles exclusion. PTCA's survey more accurately reflects the population of taxable vehicles; thus, our annual mileage figures are substantially higher than those from DOT.

With a 2¢ per gallon diesel differential, revenues under the PTCA proposal will grow proportinately with the higher, more accurate mileage data. The fact that DOT has revised its six year revenue estimate from $72.2 billion to $73.3 billion in just one year serves to illustrate the inadequacy of its population and mileage data base. PTCA's data is more current and more accurate, and therefore results [illegible] more accurate, revenue neutral bottom line.

DOT-4 WILL REQUIRE THE TRUCKING INDUSTRY TO PAY HIGHER TAXES

DOT Proposal 4, supported by the Secretary of Transportation, establishes a 6¢ per gallon diesel differential coupled with a $650 maximum use tax. PTCA cannot support a diesel differential of this magnitude since it shifts the burden to lighweight vehicles already overpaying their share of roadway costs.

When the use tax is added, and accurate mileage data is employed, the trucking industry will pay substantially higher annual taxes than under the STAA use tax schedule. The attached chart illustrates the annual payment per truck, divided by weight class, for the STAA and a number of options.

continued . . . .

For every weight category except 80K vehicles, DOT-4 results in higher annual use and fuel taxes than the STAA use tax. The relief for the 80K class amounts to less than $17 per year.

The only reason DOT can promote this proposal as revenue neutral is the inadequacy of its diesel population and mileage figures. More accurate figures show this plan to be obviously, substantially revenue positive, resulting in a windfall for the trust fund.

Finally, the 6¢ per gallon diesel differential repudiates the National Transportation Policy provision encouraging fuel efficient travel. Such an enormous differential establishes a significant disincentive for conversion to more efficient diesel engines in the lighter weight categories; fleet purchasers in the future will revert to gasoline engines simply to avoid hundreds of dollars per year in diesel taxes.

1984	STAA Fuel: 0 Use: $1600	PTCA Fuel: 2¢ Use: $950	DOT-4 Fuel: 6¢ Use: $650	DOT-1 Fuel: 9¢ Use: 0	DOT-2 Fuel: 5¢ Use: $240	H.R.2124/ S.1475 Fuel: 5¢ Use: 0
10K	-0-	$ 12.50	$ 37.51	$ 56.27	$ 31.26	$ 31.26
22K	-0-	89.35	268.06	402.10	223.39	223.39
33K	$ 50.00	265.43	400.28	600.43	432.57	333.57
40K	225.00	346.54	559.61	839.41	586.34	466.34
55K	600.00	572.36	867.01	1,225.51	845.84	680.84
70K	1,200.00	962.36	1,227.01	1,225.51	890.84	680.84
80k	1,600.00	1,261.24	1,583.73	1,400.58	1,018.10	778.10

NOTE: All figures, except for STAA, are derived from 1983 PTCA Member Survey annual mileages, and 1985 DOT miles per gallon projections.

Mr. GIBBONS. Our next witness is from the ready-mix group. I'm sorry, I jumped ahead.

Mr. Siegel.

STATEMENT OF MARSHALL SIEGEL, EXECUTIVE DIRECTOR, INDEPENDENT TRUCK OWNER-OPERATORS ASSOCIATION

Mr. SIEGEL. Thank you, Mr. Gibbons.

We appreciate the opportunity to be here today. We believe strongly—the Independent Truck Owner-Operators Association believes strongly——

Mr. FRENZEL. If we're done with the delay, we could see the witness if someone took the signboard down.

Mr. GIBBONS. May I draw it to your attention, Mr. Frenzel? It's on the last page of Mr. Henderson's statement.

Mr. FRENZEL. Thank you.

Mr. SIEGEL. The Independent Truck Owner-Operators Association believes strongly that the Surface Transportation Assistance Act of 1982 was conceived by naked political force, rushed through Congress in much undue haste, and was passed because of well meaning but disastrous intervention of the President and his staff.

The act is a disaster to us, the owner-operators, to the regulated trucking industry, and to almost anyone who operates carrier equipment over the roads.

We respectfully submit to you that you cannot blindly ignore the situation that the tax burden on the truckers is excessive. We charge that the administration has caused this tax to be imposed on the trucking industry in an unfair and underhanded manner, and I suggest to you we should look to the railroads and not just the highway engineers for a true appreciation of who foisted this monstrous act of legitimated grand larceny upon the trucking industry.

With respect to reducing the inequities of the present heavy truck use tax, I want to suggest it makes no sense to allocate 1-cent per gallon for mass transit or railroad use, thereby forcing the trucking industry to subsidize a nonhighway use.

Therefore, I recommend that a tax on railroad diesel fuel be imposed that will generate the same amount of revenue, but an equivalent reduction removed from the overburdened shoulders of the trucking industry.

In this regard, it should be noted that in the worst year in history, 1982, the trucking industry paid 46 percent of its profit to the Federal Government in taxes, whereas the railroad industry paid no income tax, but actually received subsidy from the Federal Government during the same period, calendar year 1982, even though it enjoyed very high profits.

It would certainly increase payment convenience and flexibility for independent owner-operators if the tax were converted to a diesel fuel tax. Alternatively, weekly or monthly payment should be permissible, with a reduction in any heavy use tax for the period in which the truck is not used on the road, if indeed there must be a user fee.

Independent truck owner-operators cannot pass that tax, that user fee, along. It is a cost of doing business, a cost we have to eat. We have no way to pass it on.

We also make the suggestion that the diesel fuel tax be collected at the refinery level to spread the tax to railroads as well as trucking companies. An alternative approach would be for the collection to be made at the wholesale level.

Some concern has been heard regarding unfair taxation of owners of small diesel-powered vehicles such as passenger automobiles and light pickups. It would be very simple to allow those persons to claim a tax credit on their Federal income tax returns each year.

It is estimated that the amount of such a tax credit would only be in the vicinity of $30 or $40, so it might not even be worth bothering with. Elimination of the heavy truck use tax and all other taxes mandated by STAA and replacement of them by a diesel fuel tax would appear to be the easiest way to accomplish revenue reduction while simplifying collection matters.

This would be fair, however, only if the diesel fuel taxes were increased after taking into consideration the rail transportation tax currently borne by trucks.

We anticipate the amount of the tax increase should be no more than 2 cents per gallon. We believe this would be revenue-neutral. It would reflect removal of the burden to support rail transportation currently borne by the trucking industry.

In conclusion, let me state that we do not in any way agree with the highway cost allocation study. We would like to see an outside source, with no political motivation, do a study. The Department of Transportation and this administration have turned a blind eye to the plight of the truckers.

We could not fail to submit these comments because we didn't want you to think that everyone agreed with DOT and this administration.

Just as a side note, if I might. I'm sure you members of this committee are well aware of what's going on in France right now with the trucking industry. They're in turmoil. We have heard rumors about that happening here in the United States.

We, as an owner-operator organization, and I think everyone else on this panel, do not want that to happen and would never stand for it happening. But you put us into a situation where now time is of the essence, and the mood out there with the public and the trucking industry leaves things ripe for the wrong things to happen.

We are a member of the Coalition for Equitable Taxation for Trucks, and we support their stand. We will answer any questions you may have.

Thank you.

Mr. GIBBONS. Thank you.

I just want to say if anyone thinks he will block the highways of the United States, they will find a lot of bulldozers operating, clearing highways fast. I might even be driving one of them.

Mr. Jim Johnston.

[The prepared statement follows:]

STATEMENT OF MARSHALL SIEGEL, EXECUTIVE DIRECTOR, INDEPENDENT TRUCK OWNER/OPERATORS ASSOCIATION

My name is Marshall Siegel, and I am Executive Director of Independent Truck Owner-Operators Association (I-TOO), with business address of 432 Pearl St., Stoughton, Massachusetts 02072. As such, I am authorized by ITOO to appear in these hearings and to give this testimony.

First, let me identify my organization a bit more fully. ITOO is a recently organized nationwide association representing the interests of independent truck owner-operators throughout the country. Currently, our membership is approximately 5,100. In addition to owner-operators, we also have as members merchants doing business with owner-operators, trucking companies who lease owner-operators, and financial concerns that lend money to owner-operators. Our organization helps the owner-operator organize his operations from a business standpoint, and also acts as a clearing house for information concerning reliability of owner-operators, reliability of trucking companies, and sources of goods and services from merchants. The organization is approximately three years old.

ITOO believes strongly that the Surface Transportation Assistance Act of 1982 (STAA) was conceived by naked political force, rushed through Congress in undue haste, and was passed because of the well-meaning but disastrous intervention of the President and his staff. The Act is a disaster to owner-operators, to the regulated trucking industry, and to almost anyone who operates motor carrier equipment over the roads.

I respectfully submit to you that you cannot blindly and blithely ignore the situation that the tax burden or truckers is excessive.

I charge that the Administration has caused this tax to be imposed upon the trucking industry in an unfair, underhanded manner, and I suggest to you that you should look to the railroads and not just the highway engineers for a true appreciation of who foisted this monstrous act of legitimated grand larceny upon the trucking industry.

With respect to reducing the inequities of the present heavy truck use tax, I want to suggest that is makes no sense to allocate one cent per gallon for mass transit or railroad use, thereby forcing the trucking industry to subsidize a nonhighway use. Therefore, I recommend that a tax on railroad diesel fuel be imposed that will generate the same amount of revenue that an equivalent reduction will remove from the overburdened shoulders of the trucking industry. In this regard, it should be noted that, in the worst year in history, 1982, the trucking industry paid 46 percent of its profit to the Federal Government in taxes, whereas the railroad industry paid no income tax but actually received subsidy from the Federal Government during the same period, calendar year 1982, even though it enjoyed very high profits.

It would certainly increase payment convenience and flexibility for small truck operators if the tax were coverted to a diesel fuel tax. Alternatively, weekly or monthly payments should be permissible, with a reduction in any heavy truck use tax for a period during which the truck is not used on the road, if indeed there must be a user fee tax.

We also suggest that the diesel fuel tax be collected at the refinery level, so as to spread the burden of the tax to railroads as well as trucking companies. An alternative approach would be for the collection to be made at the wholesale level. Some concern has been heard regarding unfair taxation of owners of small diesel-powered vehicles, such as pasenger automobiles. It would be very simple to allow these persons to claim a tax credit on their Federal income tax returns each year. It is estimated that the amount of such a tax credit would only be in the vicinity of $30, so it might not even be worth bothering with.

Elimination of the heavy truck use tax and all other taxes mandated by STAA, and replacement of them by a diesel fuel tax would appear to be the easiest way of accomplishing revenue production, while simplifying collection matters. This would be fair, however, only if the diesel fuel taxes were increased after taking into consideration the rail transportation tax currently borne by trucks.

The amount of the tax increase should be no more than 2¢ per gallon. This would be revenue neutral insofar as the highway program is concerned, and would reflect removal of the burden to support rail transporation currently borne by the trucking industry.

In conclusion, let me state that we do not in any way agree with the "Highway Cost Allocation Study". That study deals after a fashion with the damage allegedly done by heavy trucks to highways. The purpose for which it was made and the purpose for which it was used are inconsistent with the conclusion that one truck does as much damage as over 9,800 passenger automobilies. In fact, highway engineers currently in many states are designing roads on the theory that one truck does as much damage as approximately 5,000 passenger automobiles. You need to go back to square one, and have a real study made designed to come up with statistically valid, factually accurate information, rather than using a study in a political manner for something it was not intended to prove. That study has been described by numerous people as being as full of holes as Swiss cheese. We agree with this characterization.

The Department of Transportation and this Administration have turned a blind eye to the plight of the truckers. We could not fail to submit these comments, because we did not want you to think that everybody agreed with DOT and this administration.

I would be remiss in my duty if I did not tell you that there is a great deal of talk going around concerning a coordinated, nationwide truck strike in protest of these STAA confiscatory taxes. While owner-operatrors and other truckers are willing to accept a fair tax, they are not willing to roll over and play dead for a tax that is inherently unfair both in manner of collection and in amount. Therefore I respectfully call upon this committee to give us relief. While we have not supported and likely will not support any call for a truck strike, the desperation of the situation is what gives rise to the exposure for one. I-TOO is a member of the Coalition for Equitable Truck Taxes, and generally supports the position taken by that group. Therefore, I have kept this statement brief in order to keep from repeating material which will be submitted by other members of the Coalition.

STATEMENT OF JIM JOHNSTON, PRESIDENT, OWNER-OPERATORS INDEPENDENT DRIVERS ASSOCIATION OF AMERICA

Mr. JOHNSTON. Thank you, Mr. Chairman. I am Jim Johnston, president of the Owner-Operators Independent Drivers Association of America. OOIDA is an association of owner-operator truckers, the small businessmen and women of the trucking industry.

Several important facts make this subject especially critical to owner-operator truckers. As small businesses they are, by nature, far more apt to be negatively impacted by drastic changes or increases in the tax structure, a fact which is substantiated, although I feel not adequately elaborated on, in the recently-released GAO report.

Because of the structure of the industry and the environment in which they operate, they have little, if any, influence on the transportation rates they haul for, and therefore have almost no ability to pass on their increased costs.

Although most businesses have suffered recently under poor economic conditions, the impact on owner-operator truckers has been greatly magnified by the additional burden of uncontrolled and predatory competition among those who he must lease our equipment to. Contrary to popular belief, this has not resulted from more trucks chasing less freight; it has resulted from more trucking companies or those with expanded operating authority seeking to increase or maintain market share.

At this time, the economic situation for owner-operator truckers is critical. We estimate as many as 37 percent of those who were in business in 1980 have either dropped out because it simply was not profitable to continue operating, or have gone bankrupt.

Some of those, of course, have been replaced by new operators, but those new entrants are on very shaky ground because of underfunding and minimal experience. Even more alarming to us is the fact that the upper 50 percent of this group, the people who would normally be the stabilizing influence with a great deal of experience and knowhow, are at this time walking a tightrope where any sudden increase in costs could push them into business failure.

I put together the next three pages, some cost of operation and revenue figures for what we consider a typical owner-operator operation. We base it on an average mileage of 100,000 miles a year; average gross revenue per mile, 75 cents; taking into account the industry average of 20 percent empty miles; truck payments of $2,000 per month and mileage of 5 miles per gallon; fuel costs at $1.26 a gallon; ICC figures are $1.28 on average; insurance, licenses and permits at $500 per month.

Taking just those costs into consideration, he starts out with gross revenue for the year of $75,000 and just after those costs are taken out he has left $19,800, not including tire replacement, repair funds, normal maintenance, unloading and loading costs, living expenses on the road, et cetera. When you deduct those you are down to about $4,800.

To quote an often-used comment, I suppose we are just about as close to revenue neutrality as you can get.

All of this may seem irrelevant to the subject at hand, but I am convinced it is extremely relevant. Certainly our Government would not intentionally implement a tax which would force thousands more small businesses out of business.

Although practically speaking I am put in the position here of having to support alternative methods of collecting what can only be described as a huge tax increase, I must tell you that any increase, regardless of the method of collection, will be devastating. While we casually discuss such subjects as who is paying their fair share, a very large percentage of some 250,000 small businessmen are struggling for survival.

In reality, what we may very well be talking about is a mercy shot—the huge lump sum Federal Highway Use Tax—to get it over with and end their struggle quickly or ease it through gradually with a pay-as-you-go diesel differential. We choose to have the opportunity to continue struggling in hopes that the situation will improve and support the diesel differential.

[The prepared statement follows:]

STATEMENT OF JIM JOHNSTON, PRESIDENT, OWNER-OPERATORS INDEPENDENT DRIVERS ASSOCIATION OF AMERICA

Mr. Chairman, Members of the Committee, my name is Jim Johnston. I am President of the Owner-Operators Independent Drivers Association of America. O.O.I.D.A. is an association of owner-operator truckers (the small businessmen and women of the trucking industry) with approximately five thousand members spread throughout forty-eight states. In addition, we represent affiliated groups in Delaware, Pennsylvania, Michigan, Alabama, Colorado, Montana, South Dakota and Minnesota. I appreciate very much the opportunity to present their views on this important issue.

Several important facts make this subject especially critical to owner-operator truckers:

1. As small businesses, they are, by nature, far more apt to be negatively impacted by drastic changes or increases in the tax structure, a fact which is substantiated, although I feel not adequately elaborated on in the recently released G.A.O. Report.
2. Because of the structure of the industry and the environment in which they operate, they have very little, if any influence on the transportation rates they haul for, and therefore have almost no ability to pass on their increased costs.
3. Although most businesses have suffered recently under poor economic conditions, the impact on owner-operator truckers has been greatly magnified by the additional burden of uncontrolled and predatory competition among those who he must lease to in order to operate his business. Contrary to popular belief, this has

not resulted from more trucks chasing less freight, it has resulted from more trucking companies or companies with expanded operating authority seeking to increase or maintain market share.

ECONOMIC CONDITION OF OWNER-OPERATORS (ABILITY TO PAY)

In fact, at this time the economic situation of owner-operators is critical. We estimate as many as 37 percent of those who were in business in 1980 have either dropped out because it simply was not profitable to continue operating, or have gone bankrupt. Some of those, of course, have been replaced by new operators, but those new entrants are on very shaky ground because of under funding and minimal experience. Even more alarming to us is the fact that the upper 50% of this group, the people who would normally be the stabilizing influence with a great deal of experience and know how are at this time walking a tight rope where any sudden increase in cost could push them off into business failure.

[From the Owner-Operators Independent Drivers Association of America, Oak Grove, Mo.]

General Cost of Operation and Gross Revenue Estimate for Typical Owner-Operator Trucker

EXPLANATION OF FIGURES USED

Average annual mileage—100,000.—This figure was developed through an extensive survey of owner-operator truckers which determined average annual miles to be 101,000 and was rounded off to 100,000 for purposes of simplification.

Average gross revenue per mile—75 cents.—While most owner-operators are paid on a percentage of revenue, these amounts are converted to cents per mile in order to compare to cost of operation which is greatly influenced by miles traveled. Some carriers actually pay on a cents per mile basis in which case the figure usually ranges between 70 and 80 cents per loaded mile. Industry averages for empty non-revenue generating miles are approximately 20%, which of course has a substantial downward effect on average revenue generated for total miles. (By the way, the regulated cab rate in Washington, D.C. is $1.70 for the first mile and $1.00 per mile for each fraction of a mile thereafter).

Truck payments—$2,000 per month.—This is a conservative estimate of the average payment on a typical owner-operator truck purchased new and two years old. This figure could be considerably higher if a new trailer were purchased at the same time, and while it could be considerably lower for the owner-operators who choose to purchase a used older model truck or is running a five or six year old truck that is paid for, the difference would usually be made up through higher repair costs and downtime from the less dependable unit.

Fuel costs at 5 miles per gallon—$1.26 per gallon.—Five miles per gallon would be a high estimated average as most owner-operators have not been able to upgrade to more fuel efficient equipment now available. $1.26 per gallon is the latest weekly average established by the Interstate Commerce Commission Weekly Fuel Price Index. Drastic increases are now being experienced by the owner-operator, particularly in the northeast to as much as $1.46 per gallon.

Insurance, licenses and permits—$500 per month.—Collision insurance alone costs between 4 and 5% of the value of the truck. Bobtail liability is approximately $250.00 per year. The exempt truck must, in addition, buy cargo and full liability at a combined cost of approximately $4,000 per year. While some carriers pay the cost of liability and cargo coverage for their leased operators, many pass at least a part of these costs back to the owner-operator and most require the owner-operator to at least pay the deductible in the event of a loss ($100,000 to $200,000). License plates, permits, state fuel and use taxes are widely accepted to run approximately $4,500.00 per year, so our combined estimated average for these costs of $500.00 per month is extremely conservative on the low side. However, it can vary substantially depending on how much of the cost the carrier assumes.

Tire replacement—$3,800 per year.—The typical owner-operator truck has eighteen tires plus at least one spare. The average cost per tire is now running between $200.00 and $300.00. You can expect to get about 150,000 miles use from a set of tires with the exception of the steer axle tires which usually cannot be run over 80 or 90 thousand miles.

Loading and unloading costs—$2,200 per year.—This is a conservative estimate based on paying only one $40.00 loading or unloading cost per week. $40.00 is conservative because in most areas it can now be considerably more. This cost could and usually is incurred more than once a week, particularly in perishable hauling.

Repairs—$2,500 per year.—This also is a conservative figure. The truck should be expected to have an inframe overhaul at approximately 200 to 300 thousand miles at a cost of approximately $5,000 plus drive lines, transmission, rear end suspension and numerous other items needing normal repair and replacement.

Maintenance—$1,500 per year.—Also conservative, the truck should have an oil change at 10,000 mile intervals at a cost of approximately $100.00 per change. Lube more often plus tire repairs and other normal maintenance items.

Living expenses on the road—$5,000 per year.—To arrive at this figure, we used only 200 days at $25.00 per day. 200 days is the absolute minimum required to run 100,000 miles and would require an average of 500 miles per day. With delays in finding a load and in the actual loading and unloading delays a great many more days would actually be required.

100,000 miles per year × 75 cents per mile = gross revenue	$75,000
Truck payments—$2,000 per month = $24,000 per year	−24,000
Subtotal	51,000
Fuel costs—$1.26 per gallon, 5 mpg average, 100,000 miles, 20,000 gallons	−25,200
Subtotal	25,800
Insurance, licenses, permits and taxes—$500 per month	−6,000
Subtotal	19,800
Tire replacement average $3,800 per year	−3,800
Subtotal	16,000
Repair fund—$2,500 per year	−2,500
Subtotal	13,500
Normal maintenance—$1,500 per year	−1,500
Subtotal	12,000
Loading and unloading expenses per year	−2,200
Subtotal	9,800
Living expenses on the road—$25 per day, 200 days	−5,000
Total	4,800

The final figure of $4,800 represents net earnings to the owner-operator plus profit on his business plus return on investment if no unforseen expenses or major breakdowns occur.

Present FHUT $240 per year, proposed FHUT $650 per year	$4,800
Increase on Federal Highway Use Tax	−410
Subtotal	4,390
Additional 6 cents per gallon fuel tax	−1,200
Total	3,190

Conclusion: Admittedly, the estimates and averages are, of necessity, very general. Obviously some owner-operators are doing better. Some are generating a little more revenue per mile and some are doing better because their operation allows them to generate more miles per year. The owner-operator who is operating at the example figures outlined, if not yet out of business, is surviving only if he is single and lives in the truck, or if he has a working wife, which is often the case these days. In either case, he is, of necessity, probably deferring maintenance and repairs. If so, these steps will soon catch up to him and he will be out of business. With approximately 250,000 owner-operators, what we have is a major catastrophe boiling under the surface and about to erupt and the proposed taxes could very well be the last straw.

Although all of this may not seem relevant to the subject at hand, I am convinced it is extremely relevant. Certainly our government would not intentionally implement a tax which would force thousands more small business out of business.

Although, practically speaking, I am put in the position here of having to support alternative methods of collecting what can only be described as a huge tax increase, I must tell you that any increase regardless of the method of collection, will be devastating. While we casually discuss such subjects as who is paying their fair share, a very large percentage of some two hundred and fifty thousand small businessmen are struggling for survival.

In reality, what we may very well be talking about is a mercy shot (the huge lump sum Federal Highway Use Tax) to get it over with and end their struggle quickly or ease it to them gradually with the pay as you go Diesel Differential. We choose to have the oportunity to continue struggling in hopes that the situation will improve.

AMNESTY

We strongly recommend that whatever alternative is developed should contain a provision for amnesty for past non-compliance. We believe such a provision would substantially reduce the incentive for tax avoidance and would generate more revenue for the Highway Trust Fund.

AN ACCEPTABLE ALTERNATIVE TO THE HEAVY TRUCK TAX

If we must be subject to increased federal taxes, and it is apparent that we must, the only equitable and by far the least disruptive tax increase is, without question, the pay as you go Diesel Differential such as that contained in S. 1475 and H.R. 2124 with total elimination of Federal Highway Use Tax.

Although it will even be difficult to pass on this increase under present conditions, because it is a pay as you go tax, the possibility to recover its cost will be far greater than it would be to recover from the sudden and dramatic impact of a huge lump sum tax such as the Federal Highway Use Tax.

As to the amount of the diesel tax increase, there seems to be a great deal of concern as to what point is reached before tax avoidance becomes a problem. I would think a far greater concern would be at what point will a substantial diversion of traffic occur. If trucks are taxed out of the market and the traffic is substantially diverted to the rails, then how could our extensive and essential highway network be maintained? More and more taxes would have to be heaped upon fewer and fewer tax payers which would literally become a dead end road with traffic diversion increased as the taxes go up. I suppose one positive result would be that the argument over the damage caused by truckers as opposed to that caused by weather conditions would finally be resolved.

The use of home heating oil, often referred to as a likely method of tax avoidance, is to truckers not an acceptable fuel to use in an engine that can cost as much as 18 to 20 thousand dollars to replace and as much as 6 or 8 thousand dollars to overhaul. In fact, there is even a great deal of concern these days over the quality of diesel fuel refined for use in trucks. Truckers would certainly not gamble on the use of even poorer quality fuel and if they did, they would very likely lose.

In addition, the use of the quantities required would certainly require collusion on the part of the fuel distributor. For the over-the-road long-haul type of operations most common among owner-operators, it would be impossible for him to carry with him enough fuel to make such a scheme pay off even if he did wish to take the gamble and could find a dishonest distributor to work with him.

UNACCEPTABLE OR UNWORKABLE ALTERNATIVES

Federal Highway Use Tax.—Even with the ability to pay the F.H.U. Tax on a quarterly basis, the substantial lump sum payment would be devastating to owner-operator truckers for all of the reasons previously mentioned. Most are even experiencing difficulty paying the present two hundred and forty dollars per year.

Weight distance taxes.—Beyond a doubt, Weight Distance Taxes have to be the most ridiculous form of taxation ever conceived.

1. It is incomprehensible to me how D.O.T. could on the one hand be pushing for total deregulation of the trucking industry, and on the other hand be seriously considering a tax, the enforcement of which would be totally impossible without the detailed monitoring system which could only be achieved in a strictly regulated atmosphere.

There are presently over 250,000 owner-operators. Somewhere in the neighborhood of 30,000 regulated trucking companies, nobody knows how many unregulated trucking companies, private carriers, co-ops and individually owned trucking operations. There is absolutely no way that these entities could ever be monitored even with total cooperation from the states. You would be amazed how much trucking is conducted on farm plates.

2. The cost of compliance would be staggering for those capable of complying and next to impossible for most small operations. The incentive and opportunity for tax avoidance would be enormous.

Equity of user fees. —The owner-operator trucker is widely accepted as one of the most competitive forces within the trucking industry. He is involved mainly in the long-haul interstate truckload segment of the industry. While rates in the less than truckload segment have been increasing steadily since passage of the Motor Carrier Act of 1980, truckload rates already competitive and low in 1980 have, in most cases, dropped substantially. Profits, if they exist at all, are very marginal. There is no ability left to absorb any tax increase. All of these taxes will eventually have to be passed on to the consumer along with the cost of the business disruptions they cause.

For the trucking industry, large and small trucks included, the highways are our factory, they are the place where we work, make a living and, hopefully, make a profit. Equity would dictate that all users in this category pay equally for the benefit they gain from the use of the highway system, as well as the actual or theoretical damage they cause upon the system.

Under the taxing provisions implemented in the S.T.A.A. of 1982, the greatest burden will be placed upon those who receive the least benefit in the form of income or proft—the long-haul truckload owner-operator. Believe me with an investment in a four-year 19% interest note of seventy-five to one hundred thousand dollars, and annual gross revenues of eighty to one hundred thousand dollars and net earnings including profit of less than twenty thousand dollars, a year, he is paying his fair share.

Just one last comment on the subject of equity. I have attached an advertisement from a recent issue of "Go West Magazine". It is an advertisement from Volvo White Trucks for what they refer to as a Federal Excise Tax exempt truck. They didn't mention it, but this will also apparently be a Federal Highway Use Tax exempt truck and possibly even a Diesel Differential Tax exempt truck.

As you can see, this truck has two axles and is conveniently rated at 32,900 pounds. The front axle is rated at 12,000 pounds and the rear axle is rated at 20,900 pounds. It is easy to see that with the large capacity cargo box, it would be quite easy to load to capacity weight. It is also a widely accepted fact that axle loadings and axle spacing rather than gross weight are what cause pavement stress. You should also consider that this truck is capable of carrying almost half of the cargo normally carried in the heaviest class eight truck. In other words, two of these trucks are capable of carrying almost the same volume of freight as one big truck, probably generating more revenue, certainly causing at least as much damage to the highways because of more concentration of weight in a smaller area, probably adding to traffic congestion because two are required to do the same job as one big truck, and they are totally exempt from the taxes payed by the big trucks. Is this tax equity?

By the way, one more axle could be added to this truck very easily behind the rear axle which would increase its allowable gross weight to 46,000 pounds. At that point it would be capable of hauling approximately 60% of the maximum capacity now allowed on the big trucks and would still be exempt from most of the truck taxes. I don't think this is what the Congress had in mind when referring to equitable user taxes.

We are willing to share the burden of maintaining the highway system, but please don't tax us out of business while allowing a windfall to those who neither need, or deserve it.

[From Go West magazine, January/February 1984]

FET TAX EXEMPT F7 TRUCK INTRODUCED BY VOLVO WHITE

As one way of saving taxes, Volvo White Truck Corporation has come up with a medium duty truck that combines heavy duty power and performance. It's called the Volvo F715 4 x 2 truck; rated at 32,900 lbs. GVW, it's designed for today's local and regional distribution operations.

New federal excise tax considerations, explained Steve Allen, Volvo's product marketing manager, have caused "buyers who once purchased or considered Class 8 vehicles (to take) a closer look at lighter GVW trucks that are exempt from FET." While the economy of switching from Class 8 to Class 7 may be beneficial, he noted, it is sometimes "at the expense of vehicle performance and durability."

The new F715, in fact, offers most of the same features of the Class 8 VOLVO F7 Low COE series—including maneuverability, fuel economy, and durability. Cab, chasis, and power components are basically the same as the F716, F717, and F725, although Volvo White has developed a lighter frame, rear axle, and suspension system.

Power starts with the VOLVO TD70F inline, 6-cylinder turbocharged and intercooled diesel engine that delivers 230 BHP at 2400 RPM and 605 LB/FT torque at 1400 RPM. A VOLVO R52 8-speed, range-type synchronized transmission is factory matched to the TD70F with a long wearing, 14-inch dual plate, power assisted clutch.

Rear axle is the VOLVO EV80, rated at 20,900 lbs. Ratio is 4.30. Rear suspension features long progressive main springs with auxiliaries providing superior ride.

Front axle is rated at 12,000 lbs. Front suspension incorporates long leaf springs with auxiliary over-load supports and double shock absorbers for driver comfort.

As with all VOLVO Trucks, the F715 is backed by a 24 month/100,000 mile wartanty on basic engine components (100% parts and labor), and a 36 month/300,000 mile warranty on crankshaft and block (100%). The basic new truck warranty is 12 months or 50,000 miles (100% parts and labor).

Mr. Gibbons. Mr. William Scheffer.

STATEMENT OF BILL SCHEFFER, NATIONAL VICE PRESIDENT, THE INDEPENDENT TRUCKERS ASSOCIATION

Mr. Scheffer. Mr. Chairman, members of the committee, I am Bill Scheffer, the national vice president of the Independent Truckers Association, an international association of truckers with members in 50 States and chapters in Canada and Australia.

I am here today to express our organization's support for the diesel differential alternative to the present tax structure spelled out in the Surface Transportation Assistance Act. The specific alternatives are H.R. 2124 and S. 1475.

Taxation of the heavy trucks has apparently become the Department of Transportation's mythical golden goose and the same Department has now plucked that goose bare and has worked on skinning the bird bare to its few remaining bones. The ITA feels that the DOT's projected revenues, as stated before the Senate Finance Committee, were not only erroneous but grossly misstated. This may not be intentional on their part, but these fairyland projections are not of trucking real world origin.

DOT figures do not take into account the major consumption areas of trucking. The DOT has apparently neglected to include metropolitan mileage consumption computation in their projections. Since most of the average mileages they have projected were based on household movers guide mileages, they have eliminated the metropolitan or downtown mileages not accounted for in HHG.

These same mileages on a cross-country trip computed by HHG conveniently eliminates 4.9 percent of the actual mileage on a trip from New York to Los Angeles. DOT projections do not also account for pickup and delivery mileages, idling consumption, and non-delivery-related mileages not included in their projection.

In the case of the independent trucker, these mileages are considerable since the truck is generally kept at his residence and used to travel to and from his carrier's terminal, much as you and I travel to and from work in our cars. Mileages to repair stations are also not included, even though these inspections are mandated by law.

In other words, these uncounted miles are considerable and will consume taxed fuel. I would suggest to this committee that the only real equitable way to collect the true mileage is at the pump. Truck taxation is an easy task made totally ridiculous by the countless Federal and State bureaucracies that have been allowed to totally confuse and complicate an otherwise simple procedure.

Implementation of the STAA as written would not only further complicate an already chaotic system but would require the expension of the internal revenue department to collect and monitor the new taxes.

The administration has been saying less Government meddling, not more. The machinery to equitably assess the cost of rebuilding the Nation's highways is already in place. This industry is already taxed at the pumps. It would be a far less complicated and expensive task to simply change the amount on the pumps than to construct still another bureaucratic empire.

A tax at the pumps would be easier to collect than a mileage-based taxation program that could be altered or avoided. Mr. Chairman, the term "revenue neutral" has been used quite heavily by the Department of Transportation. I would suggest to you that they do not even know what "revenue neutral" is, and even if they did we simply never will attain that magical number if they are going to be allowed to arbitrarily change it as they go along.

I would suggest that implementation of H.R. 2124 will produce more than the required DOT projections to begin rebuilding the Nation's highways. Also, the Surface Transportation Assistance Act was a green light to all the State taxing bodies to begin their cooking of the trucking goose.

My home State of Pennsylvania, for example, more than doubled the cost of commercial registration plates allegedly to rebuild the roads. Then they enacted a controversial inspection sticker fee to pay for the roads. The Keystone State, in all its wisdom, then imposed a $36 per axle tax on the trucks to pay for the roads.

Pennsylvania trucks are now being retaliated against by nine other States with the same tax to pay for their roads. Pennsylvania also enacted a fuel tax sticker to pay for the roads. The independent trucker has absolutely no way to pass along these costs.

Then the Congress in all its wisdom saw fit to impose a whopping 800 percent increase on the trucking industry to pay for the roads. Mr. Chairman, the buck must stop here. DOT's golden goose is bare. The independent trucker simply cannot absorb any more taxation. It is time real world figures are compiled by real world truckers to a real world DOT.

This vital, efficient and already overtaxed segment of the transportation industry simply cannot survive another onslaught of reckless and unnecessary taxation. The STAA was conceived as a salvation for the Nation's highways. However, countless millions of dollars have been earmarked for unimportant, non-highway-related projects that have made a mockery of the original intent of the act.

We feel that the introduction of so many bills in both the House of Representatives and the Senate and the overwhelming support they have received is a strong signal that Congress wants to rectify one of the mistakes contained in the STAA.

The General Accounting Office study shows that this act impacts the independent trucker and the small fleet hardest. We must daily compete with giant carriers while having no way to control our rates or pass along costs. The independent trucker receives virtually nothing from the Surface Transportation Assistance Act. The only beneficiaries were a few giant carriers that got what they wanted at the expense of the rest of the industry.

These carriers eventually make the consumers pay for their 102-inch-wide and double trailers. On the other side of the coin, we have special interests who are exempt from the proposed taxes.

Railroad interests, carriers like UPS and virtually the entire rental truck industry who use the same highways cause damage, too. Yet they will be paying no taxes for the privilege. If this committee is to assess a truly fair and equitable tax on this industry we must submit that it can only be done by implementing H.R. 2124, which already has substantially more than a majority in the House of Representatives as cosponsors, and S. 1475, which seems to be picking up steam and support in the Senate.

Most of the trucking in the Nation for the 1940's was done with trucks that weighed a lot less, and yet the Nation had highway deteriorations and many highways and parkways prohibited trucks altogether, such as the Merritt Parkway and the Garden State Parkway in New Jersey, have highway damage that equals or exceeds highway damage on other roads where we are allowed.

Additionally, grossly overloaded piggyback trailers, which are exempted from the highway use tax and other taxes, pound along city and State roads at their origins and destinations, and pay virtually nothing for highway upkeep.

The tax exemption given the railroads in the 1982 STAA was nothing more than a windfall profit to them inasmuch as many of the railroads already enjoy a very low-tax rate and pay no fuel tax, whereas the trucking industry is the highest taxed industry in the Nation.

Thank you, Mr. Gibbons. I have submitted to you, Mr. Gibbons, under separate cover a chart showing the States that have done away with the weight distance tax and why.

[The prepared statement follows:]

STATEMENT OF BILL SCHEFFER, NATIONAL VICE PRESIDENT, THE INDEPENDENT TRUCKERS ASSOCIATION

Mr. Chairman, and members of the Committee, my name is Bill Scheffer. I am the National Vice President of the Independent Truckers Association, an international organization of truckers with members in fifty states and chapters in Canada and Australia. I am here today to express our organization's support for a diesel differential alternative to the present tax structure spelled out in the Surface Transportation Assistance Act. Those specific alternatives are H.R. 2124 and S. 1475. Taxation of heavy trucks has apparently become the Department of Transportation's mythical golden goose. This same department has now plucked the goose bare and is working on skinning this essential bird to its remaining few bones.

The ITA feels that the DOT's projected revenues as stated before the Senate Finance Committee were not only erroneous, but grossly understated. This may or may not be intentional on their part, but these fairy-land projections are not of trucking "real world" origin. Department of Transportation figures do not take into account the major consumption areas of trucking. The DOT has apparently neglected to include metropolitan mileage consumption computation in their projections. Since most of the average mileages they have projected were based on Household Movers Guide mileages, they have eliminated the metropolitan or downtown mileages not accounted for in HHG. These same mileages on a cross-country trip computed by HHG conveniently eliminates 4.9 percent of the actual mileage on a trip from New York to Los Angeles. DOT projections also do not account for pickup and delivery mileages. Idling consumption and non-delivery related mileage is also not included in their projections. In the case of the independent trucker these mileages are considerable since the truck is generally kept at his residence and used to travel to and from his carrier's terminal much as you and I travel to and from work in our cars. Mileages to and from repair centers and inspection stations also are not included even though these inspections are mandated by law. In other words, these uncounted miles are considerable and will consume taxed fuel. I would suggest to this committee that the only real and equitable way to collect the true mileages and true taxes is at the pump, where all vehicles quench their thirst. Truck taxation is an easy task made totally ridiculous by the countless Federal and State bureaucracies that have somehow been allowed to totally confuse and complicate an otherwise simple procedure. Implementation of the Surface Transportation Assistance Act as written would not only further complicate an already chaotic system but would require the expansion of the internal revenue department to collect and monitor the new taxes.

The administration has been saying "less government meddling," not more. The machinery to equitably assess the cost of rebuilding the nation's highways is already in place. This industry is already taxed at the pumps. It would be a far less complicated and expensive task to simply change the amount on these pumps than to construct still another bureaucratic empire. A tax at the pumps would also be easier to collect than a mileage-based taxation program that could be altered or avoided. Mr. Chairman, the term "revenue neutral" has been used quite heavily by the Department of Transportation. I would suggest to you that they do not even know what "revenue neutral" is, and even if they did, we simply will never attain that magical number if they are going to be allowed to arbitrarily change it as they go along. I would suggest that implementation of H.R. 2124 will produce more than the required DOT projections to begin rebuilding the nation's highways. The Surface Transportation Assistance Act was a green light to all the state taxing bodies to begin their cooking of the trucking goose.

My home state of Pennsylvania, for example, more than doubled the cost of commercial registration plates allegedly to rebuild the roads. Then they enacted a controversial inspection sticker fee to pay for the roads. The keystone state in all its wisdom then imposed a $36 per axle tax on trucks to pay for the roads. Pennsylvania also enacted a fuel tax sticker to pay for the roads. The independent trucker has absolutely no way to pass along these costs. The Congress in its wisdom saw fit to impose a whopping 800 percent increase on the trucking industry to pay for the roads. Mr. Chairman, the buck must stop here. DOT's golden goose is bare. The independent trucker simply cannot absorb any more taxation. It is time real world figures are compiled by real world truckers to a real world Department of Transportation. This vital, efficient and already overtaxed segment of the transportation industry simply cannot survive another onslaught of reckless and unnecessary taxation. The STAA was conceived as a salvation for the nation's highways, however countless millions of dollars have been earmarked for unimportant, non-highway related projects that have made a mockery of the original intent of the act. We feel that the introduction of so many bills in both the House of Representatives and the Senate, and the overwhelming support they have received is a strong signal that the Congress wants to rectify one of the mistakes contained in STAA. The General Accounting Office study stated that this act impacts the independent trucker and the small fleet hardest. We must daily compete with giant carriers while having no way to control our rates or to pass along costs. The independent trucker received virtually nothing from the Surface Transportation Assistance Act. The only beneficiaries were a few giant carriers that got what they wanted at the expense of the rest of the industry. Those carriers eventually make the consumer pay for their one hundred two inch wide and double trailers. On the other side of the coin we have special interests who are exempt from the proposed taxes. Railroad interests, carriers like United Parcel service and virtually the entire rental truck industry who use the same highways cause damage, too. Yet they will be paying no taxes for the privilege. If this committee is to assess a truly fair and equitable tax on this industry we submit that it can only be done by implementing H.R. 2124 which already has substantially more than a majority in the House of Representatives as co-sponsors, and S. 1475, which seems to be picking up steam and support in the Senate.

Finally, I would like to make a final comment about the very structure of the highway system, and the Interstate system in particular.

When the Interstate system was finally launched in the mid-nineteen fifties, one of the requirements of building it was that the entire system should be built strongly enough to accommodate extra heavy military vehicles.

Therefore, the base and actual roadbed of the nation's Interstate system had to be built to carry the strain of vehicles that would weigh 100,000 pounds or more.

So even if not one ounce of freight ever traveled on so much as one foot of Interstate Highways and bridges, the Interstate system, at least, was built—or was supposed to be built—to high standards, not only in withstanding heavier loads, but also higher vehicles. Thus, most of the nation's overpasses are fifteen feet or more even though no state allows trucks that high.

Therefore, even if there were no cars or rental trucks or regular tractor/trailers in existence, we are supposed to have an Interstate road system able to accommodate heavy trucks—military trucks and the construction trucks that might be used in the actual road building or for military purposes.

To now saddle the nation's heavy duty, long haul trucking industry with the majority of the tax burden is unfair and unjust.

Additionally, the DOT's own study showed that the highest percentage of illegally overloaded trucks in the nation are city, county and state highway department vehicles, which, like the tens of thousands of rental trucks, pay no Highway Use Taxes or other road taxes at all.

If a major airport's runways are built to accommodate the heaviest of 747's, should the owner of a Lear jet be asked to pay the heaviest tax because the Lear allegedly does more damage to the runway than a Cessna 150?

This is the situation, then, for the heavy military vehilces pay none of the taxes in the first place. The whipping boy and target of the majority of the taxes is the nation's trucking industry.

But the public has not yet heard the argument about the construction of most highways in the first place.

This is a classic case of only part of the truth coming out, and the ITA would like the members of the Committee as well as the entire Congress to remember that example of the airport runway construction and the integrity of the Interstate system to accommodate the very vehicles that pay no taxes.

Additionally, since the Congress is concerned with fairness, we wonder why virtually all truck rental companies, package delivery companies and the like are able to get off scot/free from paying their fair share of taxes?

Most of the trucking in the nation before the 1940's was done with trucks that weighed a lot less, yet the nation had highway deterioration, and many highways and parkways today that prohibit heavy trucks altogether, such as the Merritt Parkway and portions of the Garden State Parkway in New jersey, have highway damage that equals or exceeds highway damage on other roads where big trucks are allowed.

Additionally, grossly overloaded piggyback trailers, many of which are exempted from the Highway Use Tax or other taxes, pound along city and state roads at their origin and destination, and pay virtually nothing for highway upkeep.

The tax exemption given to the railroads in the 1982 STAA was nothing more than a windfall profit to them inasmuch as many of the railroads already enjoy a very low tax rate, whereas the trucking industry is the highest-taxed industry in the nation.

Mr. **Gibbons**. Mr. Grane.

STATEMENT OF HUBERT GRANE, JR., LEGISLATIVE CHAIRMAN, CHICAGO REGIONAL TRUCKING ASSOCIATION, INC., AND PRESIDENT, GRANE TRANSPORTATION LINES, LTD.

Mr. **Grane**. I am Hubert "Bud" Grane, Jr., president, Grane Transportation Lines Ltd., 1001 South Laramie, Chicago, Ill. 60644. I am chairman of the board, Regional Distribution Carriers Conference, whose position will be presented by ATA; and I also serve on the board of directors and am legislative chairman of the Chicago Regional Trucking Association, Inc.

Chicago Regional has 275 members in the local or short-haul trucking business. We are the small carriers, the mom and pop family businesses, privately owned, and personally managed, passing from generation to generation. It has often been said that the small businessman constitutes the heart and soul of America. Nowhere can this be more profoundly experienced than in the local trucking business.

Recently, however, we have seen our assets and numbers decline substantially in the past 8 years due to Federal interventions,[1] and now we are threatened with further deterioration due to an unfair and disproportional increase in the highway use tax.

Typically the Grane fleet engaged in local and regional carrier and during 1983 had 211 licensed vehicles traveling 27,168 average annual miles. A sampling of other Chicagoland carriers include: One, Edward J. Meyers Co., a local liquid bulk hauler, had 19 units traveling 28,813 average miles. G. P. Sullivan Co., a local home delivery appliance trucker, had 40 units traveling 24,129 average annual miles.

Nick Totoni & Sons, a local cartage carrier, had 16 units traveling 18,237 average annual miles. And Hughes Cartage Co., a local piggyback and container service, had only six units averaging 18,284 miles per year, a grand total of 109,708 miles. This is less than one-half of one over-the-road unit usually traveling the Interstate Highway System, yet Hughes must pay Federal highway use tax on all six units.

I have spoken with other local and regional carriers from Hawaii to Florida, from Maine to California, from Texas to Michigan, and their story is the same. The Federal highway use tax portion of the Surface Transportation Assistance Act of 1982 has us—the local and regional carriers—in effect subsidizing the Federal highway program and big business. On a mileage-used basis we exceed our fair share.

A Federal highway use tax should reflect usage of the Federal highway system. We just do not run the large mileages and the roads we do use are principally city streets, county roads, and State highways for which we pay local vehicle taxes.

Illinois has the highest licensing cost in the Union for these roads. Our 80,000-pound tractor class annually pays $2,349 in city and State fees. In order to comply with State weight and bridge laws when hauling piggyback trailers, the local carriers are required to use larger tractors to and from the railheads; but we still do not run the mileages, especially on the interstates

The new 1982 STAA allowed larger vehicles only on certain designated highways, yet the Congress expects us, the local carriers who utilize the interstates the least, to pay the most. It is not fair. It is not right. It is not justice.

I have been told that H.R. 2124 in its present form is not revenue neutral, yet I find nowhere any mention of the buses which are currently covered under category V of the Federal use tax return on highway motor vehicles. They now carry freight as well as passengers and utilize the interstates much more than the local carriers.

The only thing fairer than H.R. 2124 in its present form would be to have the diesel differential apply to all commercial vehicles without exception. Keep it simple; it is the best solution. A gradual pay-as-you-go would have minimal effect on inflation, reduce administrative costs, eliminate the cheating, and I am sure would result in being revenue net neutral.

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[1] Namely ICC expansion of the commercial zone, deregulation—ERISA—MEPPA—STAA and its matching funds requirements.

In conclusion, we implore this committee to consider the cost justification and the plight of local truckers who do not run large mileages.

[An attachment to the prepared statement follows:]

Form 2290 [illegible]

Federal Use Tax Return on Highway Motor Vehicles

For the tax period July 1, 1983, through June 30, 1984

([illegible] separate Form 2290 for EACH MONTH in which a vehicle is [illegible] USED IN THIS TAX PERIOD.)

OMB No. [illegible]

Please type or print [illegible]

Name

Employer identification number

Address (Number and street)

City, State, and ZIP code

YOUR COPY

1 During this period (7/1/83—6/30/84), the first taxable use of vehicles reported on this return was in the month of ▶

2 Have you filed a Form 2290 for any previous month of THIS TAX PERIOD? ☐ Yes ☐ No

3 Are all vehicles owned by you registered in the State indicated in your address above? ☐ Yes ☐ No

(If "No," attach a statement identifying such vehicles and showing where and by whom such vehicles are registered.)

Tax Computation Schedule

If your vehicle falls within any of the categories shown below, you are required to file this return. The tax in column (1) is based on the "taxable gross weight." (See definitions and instructions.)

		Annual rate (for vehicles first used during July) (1)	Rate of tax if first used after July (see table on page 4.) (2)	Number of vehicles (3)	Amount of tax [illegible] (4)
A	2-axled truck equipped for use as a single unit with actual unloaded weight of 13,000 [illegible] or more	$81.00			
B	2-axled truck equipped for use as a single unit with actual unloaded weight of 13,000 pounds or more and less than 16,000 pounds	90.00			
C	2-axled truck equipped for use as a single unit with actual unloaded weight of 16,000 pounds or more	120.00			
D	3-axled truck equipped for use as a single unit with actual unloaded weight of less than 22,000 pounds	165.00			
E	3-axled truck equipped for use as a single unit with actual unloaded weight of 22,000 pounds or more and less than 30,000 pounds	204.00			
F	4-axled truck equipped for use as a single unit with actual unloaded weight of 30,000 pounds or more	240.00			
G	More than 4-axled truck equipped for use as a single unit (See instructions.)	Attach Schedule.			
H	2-axled truck tractor with actual unloaded weight of [illegible] pounds or more and less than [illegible] pounds	90.00			
I	2-axled truck tractor with actual unloaded weight of 7,[illegible] or more and less than [illegible] pounds	100.00			
J	2-axled truck tractor with actual unloaded weight of [illegible] pounds or more and less than [illegible] pounds	150.00			
K	[illegible] with actual unloaded weight of [illegible]	[illegible]			
L	3 or 4-axled truck tractor with actual unloaded weight of [illegible] than 13,000 pounds	[illegible]			
M	3 or 4-axled truck tractor with actual unloaded weight of 13,[illegible] or more and less than [illegible] pounds	210.00			
N	[illegible] actual unloaded weight of 1[illegible] or more	222.00			
O	[illegible] (See instructions.)	Attach Schedule.			
P	2-axled truck with actual unloaded weight of 5,000 pounds or more and less than 12,000 pounds and equipped for use in combinations	[illegible]			
Q	2-axled truck with actual unloaded weight of 12,000 pounds or more and equipped for use in combinations	165.00			
R	3 or 4-axled truck with actual unloaded weight of less than 14,000 pounds and equipped for use in combinations	195.00			
S	3 or 4-axled truck with actual unloaded weight of 14,000 pounds or more and less than [illegible] pounds and equipped for use in combinations	222.00			
T	[illegible] truck with actual unloaded weight of [illegible] pounds or more and equipped for use in combinations	228.00			
U	More than 4-axled truck equipped for use in combinations (See instructions.)	Attach Schedule.			
V	[illegible] a taxable gross weight of [illegible] pounds. Taxable [illegible] unloaded weight plus [illegible] unit [illegible] schedule showing tax computation.	$3 per [illegible] or fraction of 1000	See instructions on page 4.		

[illegible] reported on this return. Pay in full with this return if you are not paying in installments, [illegible] vehicles first used in April, May, [illegible]

[illegible] if you are paying in installments. (See [illegible] on page 2.)

[illegible] due.

[illegible] and to the best of my knowledge and belief, it is true, correct, and complete

[illegible] ▶ Title [illegible] ▶ Date ▶

Mr. GIBBONS. Thank you. Mr. Morgan.

STATEMENT OF WILLIAM H. MORGAN, PRESIDENT, DELMARVA INDEPENDENT TRUCKERS ASSOCIATION

Mr. MORGAN. Mr. Chairman, Delmarva Independent Truckers Association addresses to Mr. Chairman, members of the Ways and Means Committee presented by William H. Morgan, President.

It is my pleasure to be granted the privilege of appearing before you today requesting the introduction and passage of corrective legislation to salvage two essential divisions of our existing system, those being the number one national defense of our Nation. If we cannot feed and safely transport our taxpayers and their products, what do we have to protect?

The badly needed maintenance to our highways, bridges, railroad crossings, cities, streets, townships, improved designs to our highway systems—every day we delay destroys our chances of preserving them. A stitch in time can save more than nine.

We must not and cannot risk the loss of 50 percent of our tractor and trailer operators. Under our present course we are certain to do so. The cash flow of the tractor-trailer operator is at an all-time history low. All of the less fortunate financially cannot meet the unjust tax system and working conditions that have been so carefully designed against them.

We must act now in an American way by extending them a helping hand, it not being welfare, food stamps, unemployment compensation, donations, job training, disaster loans, minority loans, subsidies, low cost Government loans, or any other of the costly aid programs that we have been so famous to pass out.

We just cannot risk losing any part of our transportation system. Do not let us take the chance of entering into our 1984 harvest season of all of our perishable foods without them, because our entire Nation's economy will suffer greatly by our mistakes that can be so easily corrected now.

The tractor trailer is a modern product from 25 years of dedicated design as to its durability, dependability, serviceability, safety, economy, and above all, it distributes its weight proportionably far in advance to any other truck on the road.

We are asking for H.R. 2124 to abolish the Transportation Act of 1982, abolish all highway use tax, all Federal excise taxes, abolish the tire tax, abolish the parts tax, abolish the bridge formulas, abolish the axle weight laws. The 48-foot trailer and double bottoms are here. People have spent their money in this special equipment. We recommend to let these two items stand and their performance will either be their future or their destruction.

Replace all of these taxes by one adjustable tax on the pump of all types of fuel used to propel any vehicle on our highway. There is no way to determine equalization as to use of our highway better than the amount of fuel they burn determines the use and miles they travel. This adjustable tax is sufficient to provide prompt revenue and collectable revenue without fraud. This will give us funds to salvage our highway system and bring it up to standards of repair.

We also request the abolishment of all State regulations and unite our States and stop all of this unjust axle fees, weight permits, as now all States are preparing to get even with Pennsylvania and Virginia for what they have done to all the other States.

All the billions and billions of dollars that is wasted by our States and our transportation system, they bring no profit or any value to anyone. This waste would repair and build a lot of roads.

Abolish all State fuel stickers, abolish all PUC stickers, abolish all State axles fees, abolish all State weight permits. Replace this with one Federal tax now in existence by adding the existing State tax to the Federal and a necessity additive to both taxes to bring forth this Nation more than sufficient moneys to build and maintain the most modern highway system in the world.

This would be an equal payment for them to everybody as to their use, which would give us a wonderful transportation system and bring forth considerable employment in doing so. We would eliminate all 51 tax reports, billions of dollars spent in auditors, and use this wasted money to improve our working conditions, our highways and employment.

With each dollar collected being earmarked as to good maintenance and future construction of the highway use only, whereby each State will get their 100 percent maintenance cost and construction cost budget from Federal Government that has arrived from this one Federal tax collected on the pump. This will bring a new America to our transportation system and our highways that we can only be so proud of.

The beautiful part of this successful plan is that every vehicle can use our highway free because the present repairs to our equipment from the abuse it gets from poor maintenance to our roads, bridges, and railroad crossings exceeds any tax that we would pay. Taxes are cheap compared to repairs of today.

We cordially invite any team of experts to publicly debate our directors on any item in our proposal, as to not being fair and equal to everybody and being only prosperous to our Nation.

I have a comparison here of lightweight truck versus a heavyweight truck. According to DOT, they have changed it from 33,000 to 55,000 pounds. A 55,000-pound truck would have a free ride of paying no highway use tax. The only thing he would pay would be a fuel tax.

So you take a 55,000-pound truck, divided by 10 tires. It gives us 5,555 pounds per tire. That is on three axles.

A heavyweight truck grossing 80,000 pounds with 18 tires on our highway would have 4,444 pounds per tire with a weight distributed more evenly. In other words, this tractor and trailer could carry 11,000 pounds more than a 55,000-pound truck.

In return, he would have 31 percent more payload at a cheaper freight rate. It would cost $650, according to the new DOT, to carry that 11,000 pounds more on a tractor trailer. The 55,000-pound class truck would average 7 miles per gallon and roughly 50,000 miles per year. That would use 7,142 gallons of fuel times the existing 9 cents of tax. That would be a total of $642.78.

An 80,000-pound class would average 5 miles per gallon, running 100,000 miles per year, using 20,000 gallons of fuel at 9 cents per taxed gallon, would be $1,800. That is surely a lot of extra cost to haul a few more pounds of weight.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF WILLIAM H. MORGAN, PRESIDENT, DELMARVA INDEPENDENT TRUCKERS ASSOCIATION

It is my pleasure to be granted the privilege of appearing before you today requesting the introduction and passage of corrective legislation to salvage two essential divisions of our existing system. Those being the number one National Defense of our Nation. If we cannot feed and safely transport our taxpayers and their products—What do we have to protect?

1. The badly needed maintenance to our highways, bridges, railroad crossings, cities, streets, townships, improved designs to our highways systems. Everyday we delay destroys our chances and enhances cost as to preserving them (a stitch in time can save more than nine).

2. We must not and cannot risk the loss of 50% of our tractor and trailer operators. Under our present course we are certain to do so. The cash flow of the tractor trailer operator is at an all time history low. All of the less fortunate financially cannot meet the unjust tax system and working conditions that have been so carefully designed against them. We must act now in an American way by extending them a helping hand. It not being welfare, food stamps, unemployment compensation, donations, job training, disaster loans, minority loans, subsidies, low cost government loans or any other of the costly aid programs that we have been so famous to pass out.

We just cannot risk losing any part of our transportation system. Do not let us take the chance of entering into our 1984 harvest season of all our perishable foods without them; because our entire nation's economy will suffer greatly by our mistakes, that can so easily be corrected now.

The tractor trailer is a modern product from 25 years of dedicated design as to its durability, dependability. serviceability, safety, economy and above all it distributes its weight proportionable far in advance to any other truck on the road.

1. Abolish The Transportation Act of 1982.
2. Abolish all highway use tax.
3. Abolish federal excise tax.
4. Abolish the tire tax.
5. Abolish parts tax.
6. Abolish all bridge formulas.
7. Abolish axle weight laws.
8. The 48 foot trailer and double bottom are here. People have spent their money in this special equipment. We recommend to let these two items stand and their performance will either be their future or their destruction.

Replace all these taxes by one adjustable tax on the pump of all types of fuel used to propel any vehicle on our highway. There is no way to determine equalization as to use of our highway better than the amount of fuel they burn determines the amount of use and miles they travel. This adjustable tax sufficient to provide prompt revenue and collectable revenue without fraud. This will give us funds to salvage our highway system and bring it up to standards of repair.

We also request the abolishment of all state regulations and unite our states and stop all these unjust axle fees, weight permits as now all states are preparing to get even with Pennsylvania and Virginia for what they have done to all the other states.

All the billions and billions of dollars that is wasted by our states and our transportation system they bring no profit or any value to anyone. This waste would repair and build a lot of roads.

1. Abolish all state fuel stickers.
2. Abolish all P.U.C. stickers.
3. Abolish all state axle fees.
4. Abolish all state weight permits.

Replace this with one federal tax now in existence by adding the existing state tax to the fedral and a necessary additive to both taxes to bring forth this nation more than sufficient monies to build and maintain the most modern highway system in this world. That will be an equal payment for them to everybody as to their use which will give us a wonderful transportation system and bring forth considerable employment in doing so. Will eliminate all fifty one tax reports, billions spent in auditors and use this waste money to improve our working conditions, our highways and employment.

With each dollar collected being ear-marked as to good maintenance and future construction of the highway use only; whereby each state will get their 100 percent maintenance cost and construction cost budget from Federal Government that has arrived from this one federal tax collected on the pump. This will bring a new America to our transportation system and our highways that we can only be so proud of.

The beautiful part of this successful plan is that every vehicle can use our highway free because the present repairs to our equipment from the abuse it gets from poor maintenance to our roads, bridges and railroad crossings exceeds any tax that we will pay. Taxes are cheap compared to repairs of today.

We cordially invite any team of experts to publicly debate our directors on any item in our proposal as to not being fair and equal to everybody and being only prosperous to our Nation.

LIGHT WEIGHT TRUCK

Gross 55,000—55,000 divided by 10 tires=5,555# per tire.
Tare 20,000.
Pay load 35,000—No Highway Use Tax—Free ride—also hauling higher priced freight.

HEAVY WEIGHT TRUCK

Gross 80,000—80,000 divided by 18 tires=4,444# per tire.
Tare 34,000.
Pay load 46,000.

TAX

$650 to carry an additional 11,000 pounds which is 31 percent more payload at a cheaper freight rate.

The 55,000 pound class truck would average 7 miles per gallon on 50,000 miles per year—7,142 gallon×9¢ tax=$642.78.

80,000 pound class will average 5 miles per gallon on 100,000 milies per year—20,000 gallon×9¢ tax=$1,800.

A car driving 10,000 miles per year averaging 20 miles to the gallon would use 500 gallons of fuel @ 9¢ tax=$45.

Mr. **Gibbons**. Thank you.

Are there questions of the panel?

Mr. **Frenzel**. I have one, Mr. Chairman.

Mr. **Gibbons**. Mr. Frenzel.

Mr. **Frenzel**. Yes, Mr. Chairman. I would like to ask Mr. Henderson about his proposal. My understanding of it is that it comes up $1.2 billion short of being revenue neutral. Does he have any explanation?

Mr. **Henderson**. Yes, Mr. Frenzel. That $1.2 billion is the DOT estimated shortfall as against their $73.3 billion figure which takes into account the extra $1.2 billion that has already come in in the first year under the STAA.

In other words, the STAA specified $72.2 billion as against $72.2 billion. We are revenue neutral. If we keep chasing the DOT's increased figure, $73.3 billion, yes, it is a shortfall. But we take issue with that, as did one of the previous witnesses today from the ATA. Mr. Whitlock also, I believe, challenged the DOT's $73.3 billion estimate.

Mr. **Frenzel**. I do not know if any of us know that the estimates are right. However, we have to start from somewhere. We have to have a benchmark.

Mr. **Henderson**. Sure, sure.

Mr. **Frenzel**. My understanding is the joint committee which normally does the estimating for this committee has a similar opinion of your proposal and, therefore, it is going to be hard. Since we have all sworn to worship at the altar of revenue neutrality it will be very difficult to take that seriously.

Mr. **Henderson**. Let me, if I can, make an additional point there. One of the other factors in the revenue shortfall in the eyes of the DOT with respect to our plan is that we have a difference on the number of vehicles in that 10,000 to 33,000-pound category which are diesel.

The DOT, I believe, uses 9 percent and that is based upon a census going back to 1977. The greatest increase in dieselization has occurred since 1977, as our council survey shows. It is closer to 40 percent. That also accounts for the DOT's shortfall analysis of our plan.

That is quite considerable, but a 1977 census is 7 years old and that was in the throes of the energy crisis. The trend of dieselization is increasing. Mr. Schweitzer indicated that would account for $750 million—not all of it, but a good part of it.

Mr. **Frenzel**. Thank you very much.

Can you tell us who the Private Truck Council of America is?

Mr. **Henderson**. Yes. We are the organizations of corporate-owned and operated truck fleets. We are a conference separate from the ATA. We have been in existence since 1939 and we represent truck fleets that operate secondary to another primary business. In other words, my members, my private fleet managers who are members are all part of a corporate structure manufacturing another primary product.

Mr. **Frenzel**. Exactly, and sometimes the same companies belong to two different organizations and endorse two different bills through two different memberships. That has been a matter of some concern to me. Is it fair to characterize your organization as representing mostly vehicles operated by retailers?

Mr. **Henderson**. Not mostly. Retailers are a significant segment of our membership, Mr. Frenzel, but I would not say it is the majority. We represent a cross section of the American industry. We have the small hardware supply wholesaler in Missouri to Anheuser, Pet, Sealtest, Borden, major companies that also support our tax plan.

Mr. **Frenzel**. My query would be, would you like to comment on the condition of your industry as compared with the for hire trucking industry?

Mr. **Henderson**. In what respect?

Mr. **Frenzel**. I am still thinking of retailers, but others, of course, too. It seems to me you have had a pretty good year. I doubt you can make that statement about some of the other folks who are there with you at the desk.

Mr. **Henderson**. If I understand the implication of your question, Mr. Frenzel, the tax burden, no matter what plan we end up with, the STAA or one of these, the tax burden all truckers will pay beginning in 1984 will have a significant impact. In our particular case, that cost has got to be passed on. It is going to find its way somewhere ultimately to the cost of the product the consumer buys, whether it is a bottle of milk or what have you. I am not sure

I understand. The cost is as severe no matter where you are looking.

Mr. **Frenzel**. Thank you. I would like to have Mr. Siegel restate his testimony about his ability to pass on the increase.

Mr. **Siegel**. Mr. Frenzel, when you are an independent trucker in bondage to a motor carrier or a broker and you run for whatever he tells you you are going to run, and you get the percentage he tells you you are going to get or you do not run and you lose your truck and you do not support your family and you cannot do the normal things, you just do not have it to pass on. You are not your own boss. You are an independent small businessman, but you are throttled by the people you are leased on to. There is no way an independent truck owner operator can pass on the extra 5-cents a gallon cost or the $1,900 cost. It is something we eat. And as my colleague so ably put it, there ain't much left. Where are we going to go except out of business?

Mr. **Frenzel**. Thank you very much.

I would like to thank all members of the panel. I will tell Mr. Morgan that we cannot solve a lot of the questions of State regulation and taxation that you suggest. It is my fervent hope, however, that we will be able to solve this one, and we thank you all for coming in.

Mr. **Gibbons**. Mr. Henderson, let me concentrate my attention on the chart that was up here and is on the last page of your testimony. You start off over in the far righthand column by showing H.R. 1224 and its cost. As I analyze it, it costs more for everyone who is below 55,000 pounds in the 70,000 to 80,000 drop. How did you figure that? You know, it looks like the only people that H.R. 1224 really helps are the 70 to 80,000 pounds.

Mr. **Henderson**. That is correct.

Mr. **Gibbons**. And all of the rest of them pay more.

Mr. **Henderson**. That is right. This was based on a survey of our membership, taking into account about 100,000 trucks. The average mileage was 89,000 or 90,000 miles a year, and that is the only thing we had to go on. You are quite right. I might back up and say we at first thought the diesel differential looked good until we made a few random calls, and the random calls led me to conclude we had to survey our members to see where the numbers come out, and that is where they came out.

Mr. **Gibbons**. So really H.R. 1224 really only helps the legally loaded trucks to 70 to 80,000 pounds. Is that correct?

Mr. **Henderson**. The greatest share of the relief goes to the heavier weight trucks.

Mr. **Gibbons**. In fact, everyone below that picks up extra dollars as taxation.

Mr. **Henderson**. Yes, and there is a big category that has never been taxed between 10 and 26, which is included for the first time.

Mr. **Gibbons**. Yes. Boy, when those fellows find out what hit them, we are really going to have a lot of trouble.

Mr. **Henderson**. I think that is the problem we have to grapple with, and it is not easy.

Mr. **Frenzel**. Mr. Chairman?

Mr. **Gibbons**. Yes, sir.

Mr. **Frenzel**. Would you yield?

Mr. GIBBONS. Sure.

Mr. FRENZEL. This chart was based on your organization reporting to you. Is that right?

Mr. HENDERSON. That is right.

Mr. FRENZEL. So it may or may not have any statistical validity with respect to the truck population as a whole. It simply refers to the Private Truck Council of America's members who happen to report to you under this survey.

Mr. HENDERSON. That is right. We are the only private trucking organization that took the survey. Private carriage itself, whether they are members of ours or not, private carriers are about 66 percent of all of the trucks on the highways. I agree with you it is the best we can do, but I feel it is certainly a valid return from our members, which represent a cross-section of that 66 percent.

Mr. GIBBONS. I was just looking over your officers and directors over there. Most of those people are my constituents.

Mr. HENDERSON. You would know better than I.

Mr. GIBBONS. The Southland Corporation, Union 76, Anheuser Busch, GTE, Tom's Food, Kraft, Mack Trucks, Crown Zellerbach, Ryder, Kroeger, Lance, they are all constituents of mine, Continental Baking, Union Carbide, Frito-Lay.

Mr. FRENZEL. I wonder if the Chairman——

Mr. GIBBONS. Borden, Mobil Oil, Oscar Meyer.

Mr. FRENZEL. May I suggest——

Mr. GIBBONS. I have not been hearing from any of those.

Mr. FRENZEL. May I suggest, why do you not call some of them, like Mack Truck, and ask which one of these puzzles they support. I think it would be an enlightening prospect.

Mr. HENDERSON. I would suggest you call every member on there, the individuals from the company named. I would think it was certainly in order to do so.

Mr. GIBBONS. I will not have any trouble calling one of them. The Mack Truck dealer in my State is my cousin. [General laughter.]

Mr. HENDERSON. Mack Truck is a supplier. They are not really a private fleet. So I think you have to look at where they come from in the industry. They are entitled to their views, but they are a supplier. They manufacture trucks. There are also some major truck manufacturers that oppose the diesel differential because of the disincentive to conservation, but certainly I would have no problem with your contacting any of those people.

Mr. GIBBONS. You think they would take this bill over wonderful H.R. 2124?

Mr. HENDERSON. Excuse me?

Mr. GIBBONS. They would take your bill over H.R. 2124?

Mr. HENDERSON. That is what they told me. They are on my board of directors, and I am accountable to them for my daily operations of the council as well as reflecting their policy position, so if I am wrong, I will not be around very long.

Mr. GIBBONS. Well, that is interesting.

Mr. FRENZEL. Mr. Chairman, I think it is fair to say that there are people with different responsibilities in different companies who will take a different attitude on this bill, and while I am sure these individuals speak for themselves, they may not be carrying the proxy from the corporate board of directors.

Mr. HENDERSON. Let me ask you, Mr. Frenzel, is there any other member other than a Mack Truck case which I know about where they said they disagree with the policy?

Mr. FRENZEL. How about Ryder Truck? They are on your list.

Mr. HENDERSON. I am not aware they disagree. They have a problem with the STAA, as we all do, but I am not aware they disagee.

Mr. FRENZEL. We will call them and find out.

Mr. HENDERSON. All right. Fine.

Mr. SIEGEL. Mr. Chairman?

Mr. GIBBONS. Yes, sir.

Mr. SIEGEL. I would like to make an observation. I hope I do not get killed for making this observation.

Mr. GIBBONS. That is all right. We do not shoot anybody here. We may make them mad as hell, but we do not shoot them here.

Mr. SIEGEL. I appreciate that. You know, I heard the greatest logic here today for why to keep the original bill, get rid of the STAA of 1982, go back to the original user fees we paid prior to this, and come out, start at Square One and start off with a brand new survey to find out where the administration and Congress went wrong. I do not think anyone can deny what I just said.

Mr. JENKINS. Mr. Chairman.

Mr. GIBBONS. Mr. Jenkins.

Mr. JENKINS. I will yield to the panel to see what comment we have.

Mr. SCHEFFER. I just wanted to interject a comment. The Department of Transportation continuously states axle weights cause the most damage to the nation's highways, and that was borne out by the University of North Carolina's research center. They went to great limits to impose the Federal bridge formers in the trucking industry. Now we have the same Federal Highway Administration, the same Mr. Barnhard, and the same Department of Transportation excluding the trucks that also cause the most damage per axle and load the heaviest.

I cannot see the logic there. You are exempting 700,000 trucks from paying a tax that everyone claims is greatly needed to be revenue neutral. The same trucks under 55,000 pounds such as UPS trucks, three-axle trucks, are generally loaded heavier per axle than the five-axle 80,000 pound truck.

I would like to make a correction to an earlier statement by an earlier witness. The Federal Interstate Highway System was not made to accommodate 73,000 pounds weight. It was built to withstand military loads in excess of 100,000 pounds.

Mr. GIBBONS. Are you sure about that?

Mr. SCHEFFER. Yes, sir.

Mr. GIBBONS. That runs against a lot of testimony that has been delivered to this committee in the past.

Mr. SCHEFFER. It certainly does, Mr. Gibbons, but I would be glad to submit to you the interstate specifications.

Mr. GIBBONS. I do not understand what those specifications are, but I could look at that. I know we have had lots of testimony in this room that they were built for a Mack truck rate of 73,200 and some pounds.

Mr. **Scheffer**. That was merely the State laws that were enacted.

Mr. **Johnson**. The AASTO tests that were conducted, that was a three-axle truck that was used at 73,280, by the way.

Mr. **Scheffer**. That is correct.

Mr. **Jenkins**. Mr. Siegel?

Mr. **Siegel**. Yes, sir.

Mr. **Jenkins**. Your organization represents the small owner-operator?

Mr. **Siegel**. Yes, our organization as an owner-operator group consists of four segments. We have 5,100 plus owner-operators in this country, 1,700 Canadian owner-operators, motor carriers that use the services of owner-operators, the finance companies that finance and loan to the owner-operator based upon his creditworthiness, and the merchants that will supply our operators discounts on trucks they need so they can reduce their costs of operation.

Mr. **Jenkins**. What is the general size of the trucks that your members operate?

Mr. **Siegel**. Under five. We have one that has four. The majority have one to two units. They could not in any way, shape, or form come up with the $1,600 or $1,900 in any way, shape, manner, or form, and I think the DOT's figures I do not believe myself, and I do not pretend to be the authority they are, but I think if you will go back and look at it from the beginning of all of the trucks that are on the highways and have been over the past years, you will probably find 35 to 50 percent of them never paid the original $240, and I think once you get compliance with the user fee, you will find out you will get more dollars into the highway trust fund than is anticipated.

And when I asked that same question to Senator Simms in the House Finance Committee, when do we get a refund, he said, with a $200 billion deficit, never, and that is what we are looking at. There is only so much as independent small business people we can absorb. There is just nothing left to pay.

Mr. **Jenkins**. Are most of your owner-operators leased?

Mr. **Siegel**. Yes, most of our owner-operators are leased to motor carriers across the 48 contiguous States. Yes, sir.

Mr. **Jenkins**. And what are those lease contracts based upon? Are they so much per mile?

Mr. **Siegel**. There are three formulas. It is percentage of load. Nobody knows what the load is until we get our settlements, and then we got screwed. It is per mile, and that is only according to household movers guide. It does not include the deadhead or whatever miles are necessary. And now there is a new gimmick called flat rate. We pay *x* number of dollars to go to Chicago. If you want the load, fine, you go. If not, you sit, and go to the end of the line and wait. Mr. Jenkins, sometimes I cannot wait.

Mr. **Jenkins**. If you assume you have to have either an annual truck tax such as we have now beginning at $1,600, I assume, for most of your members——

Mr. **Siegel**. Yes, sir.

Mr. **Jenkins** [continuing]. Or a differential, which can you pass on easier?

Mr. **Siegel**. The diesel differential we can absorb better. The price of fuel in the last couple of years has gone down up to about a month ago. It has gone up anywhere from 15 cents to 25 cents a gallon more at the pumps.

And, by the way, there was a comment made about us using home heating oil. Heck, I'm sure that's happened, as I'm sure highway administrators have taken bribes and that's why their roadways collapse.

But the point is, as any other owner-operator association here today will tell you, I'm not going to take the chance of spending $12 or $14,000 on an engine because I used home heating fuel and it ruined my engine. If I don't have $1,600, $1,800, or $1,900, Mr. Jenkins, to pay my tax, I sure as heck won't have the $12,000 to replace my engine. I'm not going to go to home heating oil.

Mr. **Jenkins**. Are most of your trucks in about the 80,000-pound range?

Mr. **Siegel**. We have some members of our association across the 48 States that are dump haulers and coal bucket operators, and they exceed the 80,000 pounds.

In the State of Massachusetts where we're headquartered, we have a certification for a 99,000-pound truck. But those guys don't run more than 10,000 or 15,000 miles a year. Most of the time is spent idling with the dump buckets up or waiting to drop or pick up, which consumes fuel, which consumes tax dollars.

And we can live with a diesel differential, but we feel that part of the differential has to be shoved off, and properly so, to the railroads, because we should not subsidize mass transportation. We cannot put an 18-wheeler on the Metro and bring it in here. There is no way.

Mr. **Jenkins**. Mr. Henderson, are most of your members' trucks below 80,000 pounds?

Mr. **Henderson**. A great percentage are below 80,000 pounds. We also include heavy weight trucks as well. You see, a private fleet secondary to a primary business is the over-the-road as well as the distribution delivery, the vending truck to the customer. So the profile of the private fleet has a small, a big truck and a middle size weight truck, if I were trying to give you a profile of the private fleet.

Mr. **Jenkins**. Are the majority of them under 55,000 pounds?

Mr. **Henderson**. The majority are under 33,000 pounds.

Mr. **Jenkins**. If the majority of them are under 33,000 pounds, what annual tax would they be paying under existing law?

Mr. **Henderson**. Under STAA, they would not be paying a heavy use tax.

Mr. **Jenkins**. That would be the reason you would propose the diesel differential.

Mr. **Henderson**. A pure diesel differential, yes. We do concede that as a means of bringing in the revenue so we can bring down the tax on the heavy truck to the extent possible within this mythical revenue neutrality, we are all trying to comply with.

Mr. **Jenkins**. I wanted to make sure I understood why you are opposed to the diesel differential, and it is because you're not paying any tax now with the annual tax, but you would be paying some if you had a diesel differential.

Mr. **Henderson**. Right. It's not only that, but if you look at the amounts, it's an extraordinary amount to go from paying a no-tax to $200 or $300 a year.

Mr. **Jenkins**. Of course. I would assume the independent owners would say it is extravagant to go from $240 to $1,900, would they not?

Mr. **Henderson**. Yes. And we would agree with them. I guess it is a matter of degree here. We are trying to bring down their tax as well, obviously not to the degree that H.R. 2124 does. I think we really all share the same goals. It is a matter of degree within the whole trucking industry pie. if you will, in trying to balance one off fairly with the other. It's a difficult job.

Mr. **Jenkins**. It sure is.

Thank you, Mr. Chairman.

Mr. **Gibbons**. We thank you all for coming to help us with this very simple problem. [Laughter.]

All right. Our last panel today is the National Truck Weight Advisory Committee, the National Ready-Mixed Concrete Association, the National Solid Waste Management Association, the National American Wholesale Grocers' Association, the Forests Products Trucking Council, and the American Farm Bureau Federation.

All right, Mr. Fox, you are first.

Let me say everyone's statement will be in the record.

Go ahead, and keep it brief, please.

Mr. **Fox**. I will try to keep it brief.

STATEMENT OF CHARLES M. FOX, CHAIRMAN, NATIONAL TRUCK WEIGHT ADVISORY COMMITTEE

Mr. **Fox**. Mr. Chairman, members of the committee, I am Charles M. Fox. I've had the honor of serving as chairman of the National Truck Weight Advisory Committee this past year.

The National Truck Weight Advisory Committee is a nonprofit organization dedicated to the pursuit of equity in truck weight regulation and truck taxation. We represent commercial industries involved in intrastate heavy hauling, such as construction, solid waste collection, forest products, scrap iron, bulk transportation, paper products, and the building materials and supplies industry.

Our membership consists of over 20 national and 50 State associations representing tens of thousands of members nationwide who own and operate specialized heavy hauling vehicles. We are committed to improving our Nation's highway transportation system and are intent upon assuring adequate funding to accomplish this task.

However, we also believe the interests of specialized commercial heavy vehicles and the industries which own them have been traditionally ignored during the formation of governmental policy on truck weight and truck tax issues.

Thus, our main objective is to voice the special concerns of this segment of the trucking community and to achieve equitable and rational truck weight and truck tax legislation at the State and Federal level.

We would like to go on record supporting the diesel differential tax concept embodied in bill H.R. 2124 as the simplest, most efficient, and equitable tax form that can be assessed on the specialized trucking operations represented by our members.

Because of the specialized nature of our members' vehicles and their atypical hauling operations, we cannot countenance a tax structure that bases tax liability solely on the parameter of vehicle weight. Such a tax, like the heavy vehicle use tax enacted in the Surface Transportation Assistance Act in 1982 discriminates against specialized heavy hauling vehicles and overcharges them under any measure of cost responsibility espoused by the U.S. Department of Transportation.

For analogous reasons, any administration proposals which seek to tax commercial vehicles on a weight/distance basis also fail on equity grounds, because they do not account for the empty backhaul nature of our members' operations, and treat all trucks as if they were always traveling fully loaded at registered gross vehicle weight.

Weight/distance proposals also generate additional paperwork requirements for fleet owners who are not currently obligated by law to keep detailed mileage records. An additional drawback is they invite tax evasion because they depend solely on the honesty of the reporting taxpayer.

The deficiencies in such a tax structure are self-evident and experience has shown they are the costliest highway user taxes to administer.

While none of the tax alternatives is truly perfect, we believe an increased diesel fuel tax payable by all trucks in excess of 10,000 pounds would be the most palatable alternative. Such a diesel differential would cause those trucks which log the most highway mileage to pay the lion's share of the tax receipts to be collected from the heavy commercial truck population.

In situations where two trucks travel an equivalent number of miles, a diesel differential will levy a higher tax liability on the heavier vehicle because of its reduced fuel efficiency. In terms of equity, those who weigh more will pay more, and those who drive less will pay less.

According to most estimates, the heavy vehicle use tax will only generate about $1 billion annually when the tax is fully phased in. Despite USDOT's projections, we do not believe a diesel differential of 9 cents per gallon is necessary to replace the revenue that would be lost by repealing the use tax.

It doesn't seem plausible that H.R. 2124, which imposes a 5 cents diesel differential, will generate $2.4 billion less than a 9 cent diesel differential. Yet, that is what the USDOT section 513(g) study predicts. It is impossible to tell from the Department's 200-page final report the tax receipts by calendar year that are to be expected from the STAA use tax and what tax receipts could be expected by calendar year from a diesel differential form of tax.

To add to the confusion, another recent 300-page study reported by AASHTO claims that only 7.5 cents per gallon is required to replace the heavy vehicle use tax and at the same time maintain revenue neutrality.

Whom do we believe? Do we weigh the two reports and give credence to the heavier one?

By resorting to some statistics contained in the Federal Highway Cost Allocation Study on vehicle fleet population, fuel consumption rates and annual miles of travel per vehicle class, one can do a quick computation to arrive at an estimate of diesel differential tax revenues. Based on the 1977 statistics, which are the most recent actual figures available, a 1-cent diesel differential will yield $150 million to $219 million annually in highway trust fund tax receipts.

Therefore, if fleet size, fuel consumption rates, and vehicle miles of travel were to be held constant at 1977 levels, it would only require a diesel differential of 5- to 6-cents per gallon to maintain revenue neutrality.

However, since fleet size and vehicle miles of travel will probably grow considerably faster than any fuel efficiency improvements, it is logical to assume that less than 6-cents per gallon would be required over the next 5 years to maintain the revenues that would be lost from repeal of the use tax.

In any event, the tax to be established should be sufficient to fund the original authorization levels of the STAA. If actual revenue collections prove to be less than necessary to fund the STAA levels, the tax rate could be adjusted in subsequent years.

The most recent USDOT recommended revision of the heavy vehicle use tax would set a maximum use tax of $650 and simultaneously increase the diesel fuel tax by 6-cents per gallon. Such a measure is totally unacceptable, as it still retains the discriminatory features of a lump sum property tax based upon weight alone, albeit at a reduced level.

We implore the committee to eliminate the heavy vehicle use tax in its entirety and to restore the highway trust fund tax base to a true user fee basis by adopting the diesel differential tax. This is the only alternative that would put an end to the discriminatory Federal tax treatment of specialized heavy hauling industries and restore financing of the Federal highway program to a "pay as you go basis."

Thank you.

Mr. GIBBONS. Thank you.

[The prepared statement follows:]

STATEMENT OF CHARLES M. FOX, CHAIRMAN, NATIONAL TRUCK WEIGHT ADVISORY COMMITTEE

Mr. Chairman, members of the committee, my name is Charles M. Fox and I have had the honor of serving as Chairman of the National Truck Weight Advisory Committee (NTWAC) this past year.

The National Truck Weight Advisory Committee (NTWAC) is a non-profit organization dedicated to the pursuit of equity in truck weight regulation and taxation. We represent commercial industries involved in intrastate heavy hauling, such as construction, solid waste collection, forest products, scrap iron, bulk transportation, paper products, and the building materials and supplies industries. Our membership consists of over 20 national and 50 state associations representing tens of thousands of members nationwide who own and operate specialized heavy hauling vehicles.

We are committed to improving our nation's highway transportation system and are intent upon insuring adequate funding to accomplish this task. However, we also believe that the interests of specialized commercial heavy vehicles, and the industries which own them, have been traditionally ignored during the formation of governmental policy on truck weight and tax issues. Thus our main objective is to voice the special concerns of this segment of the trucking community and to achieve equitable and rational truck weight and truck tax legislation at the state and Federal level.

We would like to go on record supporting the "diesel differential" tax concept embodied in bill H.R. 2124 as the simplest, most efficient and equitable tax form that can be assessed on the specialized trucking operations represented by our members.

Because of the specialized nature of our members vehicles, and their atypical hauling operations, we cannot countenance any tax structure that bases tax liability solely on the parameter of vehicle weight. Such a tax, like the Heavy Vehicle Use Tax enacted in the Surface Transportation Assistance Act (STAA) of 1982, discriminates against specialized heavy hauling vehicles and overcharges them under any measure of cost responsibility espoused by the U.S. Department of Transportation.

For analogous reasons, any administration proposals which seek to tax commercial vehicles on a weight-distance basis also fail on equity grounds because they do not account for the empty backhaul nature of our members operations and treat all trucks as if they are always travelling fully loaded at registered gross vehicle weight. Weight-distance proposals also generate additional paperwork requirements for fleet owners who are not currently obligated by law to keep detailed mileage records. An additional drawback is that they invite tax evasion because they depend solely upon the honesty of the reporting taxpayer. The deficiencies in such a tax structure are self evident and experience has shown that they are the costliest highway user taxes to administer.

While none of the tax alternatives is "truly perfect," we believe an increased diesel fuel tax payable by all trucks in excess of 10,000 pounds would be the most palatable alternative. Such a diesel differential would cause those trucks which log the most highway mileage to pay the lions share of the tax receipts to be collected from the heavy commercial truck population. In situations where two trucks travel an equivalent number of miles, the diesel differential will levy a higher tax liability on the heavier vehicle because of its reduced fuel efficiency. In terms of equity, those who weigh more will pay more and those who drive less will pay less.

According to most estimates, the Heavy Vehicle Use Tax will only generate about $1 billion annually when tax is fully phased in. Despite USDOT's projections, we do not believe that a diesel differential of nine cents per gallon is necessary to replace the revenue that would be lost by repealing the Use Tax. It does not seem plausible that H.R. 2124, which imposes a five cents diesel differential, will generate $2.4 billion less than a nine cent diesel differential. Yet that is what the USDOT Section 513(g) study predicts. It is impossible to tell from the department's 200 page final report what estimated tax receipts by calendar year are to be expected from the STAA use tax and what tax receipts could be expected by calendar year from a diesel differential form of tax. To add to the confusion, another recent 300 page study report prepared by AASHTO (American Association of State Highway and Transportation Officials) claims that only seven and one-half cents (7.5¢) per gallon is required to replace the Heavy Vehicle Use Tax and maintain revenue neutrality. Whom do we believe? Do we weight the two reports and give more credence to the heavier one?

By resorting to some statistics contained in the Federal Highway Cost Allocation Study on vehicle fleet population, fuel consumption rates and annual miles of travel per vehicle class, one can do a quick computation to arrive at an estimate of diesel differential tax revenues. Based on 1977 statistics, which are the most recent actual figures available, a one-cent diesel differential will yield $150 to $219 million annually in highway trust fund tax receipts. Therefore if fleet size, fuel consumption rates, and vehicle miles of travel were to be held constant at 1977 levels, it would only require a diesel differential of five to six cents per gallon to maintain revenue neutrality. However since fleet size and vehicle miles of travel will probably grow considerably faster than any fuel efficiency improvements, it is logical to assume that less than six cents per gallon would be required over the next five years to maintain the revenues that would be lost from repeal of the use tax. In any event, the tax to be established should be sufficient to fund the original authorization levels of the STAA. If actual revenue collections prove to be less than necessary to fund the STAA levels, the tax rate could be adjusted in subsequent years.

The most recent USDOT recommended revision to the Heavy Vehicle Use Tax would set a maximum use tax of $650 and simultaneously increase the diesel fuel tax by six cents per gallon. Such a measure is totally unacceptable as it still retains the discriminatory features of a lump sum "property" tax based on weight alone, albeit at a reduced level.

We implore the committee to eliminate the Heavy Vehicle Use Tax in its entirety and restore the highway trust fund tax base to a true "user fee" basis by adopting the "diesel differential" tax. This is the only alternative that will put an end to the discriminatory Federal tax treatment of the specialized heavy hauling industries and restore financing of the Federal highway program to a "pay as you go" basis.

Mr. GIBBONS. Before I go any further, I would like to ask anyone in the room or anyone in this panel, if you are here to represent those trucks that are over 80,000 pounds, would you make yourself known, or when you are making your statement make yourself known, because all of these proposals level out at 80,000. Yet we have a lot of trucks over 80,000, and those are the trucks that really deliver the wear and tear.

Does anyone in the room represent those trucks over 80,000?

Mr. FRENZEL. I think they're all hauling phosphate, Mr. Chairman.

Mr. GIBBONS. That may be true.

Mr. ZEGAR. We have some trucks that are over 80,000.

Mr. GIBBONS. Tell me about that. I really think we're not doing equity to everyone else in the business when we flatten out at 80, because that is where some very severe wear and tear occurs.

So I would like to have you all comment on that as you go along.

Let me see—the next witness in your panel are the Ready Mixed people.

Mr. TOBIN. Mr. Gibbons, our witness is a victim of the flu epidemic. With your permission, I'd like to summarize his statement.

Mr. GIBBONS. We're sorry he's a victim, but we're glad he didn't bring it here.

STATEMENT OF KENNETH R. TOBIN, DIRECTOR OF LEGISLATIVE AFFAIRS, NATIONAL READY MIXED CONCRETE ASSOCIATION, PRESENTING STATEMENT OF RICHARD L. PROULX

Mr. TOBIN. My name is Kenneth R. Tobin. I am the director of legislative affairs for the National Ready Mixed Concrete Association.

Ready mixed concrete is a basic building material. It's transported and manufactured in uniquely designed vehicles which travel short distances.

Simply stated, the impact of the new vehicle use tax will be to increase the cost of a cubic yard of concrete between 26 and 50 cents, and for some small companies it will run in excess of $1 on a product that sells for less than $40. Of course, this cost will ultimately be paid by the taxpayer and the consumer.

In response to the STAA, NRMCA conducted a survey of the industry, designed to develop basic information on the number, size, and mileage traveled by ready mixed concrete trucks. Quite honestly, we were overwhelmed at the response of over 500 companies having a fleet of 11,000 concrete mixers and representing about 22 percent of the concrete produced in 1982.

Attached for the record are the complete results of our survey. At this point, however, let me highlight figures which we believe will be of interest to you. In 1982, our industry produced 179.5 million cubic yards of concrete. The ready mixed concrete was delivered by a fleet of 60,000 truck mixers, which traveled 544 million miles.

Thirty percent of the fleet traveled less than 5,000 miles and 60 percent traveled less than 10,000 miles last year. Over 50 percent of the ready mixed concrete truck fleet have gross vehicle weights between 55,000 and 65,000 pounds. Due to the single purpose nature of our vehicles, they travel in excess of 50 percent of the time unloaded, and an extremely high percentage of the time partially loaded.

The survey indicates that over 52 percent of the trips are made carrying at least 8,000 pounds less than their legal gross vehicle weight. One-fourth of the loads carry 16,000 pounds less than their rated capacity.

From the survey we can calculate the consumers of ready mixed concrete will pay an additional $35.8 million in 1985 and $39 million by 1988. This is, of course, if the July 1 tax goes into effect.

Any rational approach to fair allocation of increased taxes must recognize specialty vehicles such as those which are designed for our industry and which travel relatively few miles during the course of the year.

During consideration of the 1982 highway bill, we strongly urged Congress to give consideration to increasing the 5,000-mile exemption from these taxes to a total annual mileage of 20,000 miles. At the very least, some system must be devised to recognize mileage as an important factor in determining the tax. Heavy low mileage vehicles must not pay the same tax as heavy high mileage vehicles.

NRMCA and its sister association, the National Sand & Gravel Association, strongly support passage of H.R. 2124, introduced by your colleague, Bill Frenzel. This bill is now cosponsored by over 240 Members of the House. This legislation would substitute a diesel surcharge tax of 5 cents for the new vehicle use tax.

We recognize that due to the passage of time since this legislation was first introduced, the surcharge may need to be increased by a penny or two to generate the necessary level of revenue for the highway trust fund that would be lost by repeal of the STAA use tax. However, the basic concept of a diesel surcharge tax is, we believe, the fairest and most reasonable proposal yet made to replace the inherently inequitable STAA use tax.

In addition to providing for a tax that is a function of both weight and mileage traveled, the diesel surcharge proposal would collect revenues on a pay-as-you-go basis. This would make the additional tax burden on heavy vehicle industries more easy to absorb. It would be a far more simple device to administer, and compliance, currently a major problem, would be virtually assured.

Perhaps most important from a compliance standpoint, the diesel surcharge tax is perceived as being an equitable tax by most of those who must pay it. Frankly, it is hard for us to understand why such a perfect tax proposal has not been fully embraced by the Department of Transportation and IRS.

One of the purported reasons for opposing a simple diesel surcharge tax is that it fails the "test-of-equity," whatever that subjective term is supposed to mean. And I suppose DOT is defining "equity" on the basis of the cost-allocation study which we find to be fatally flawed, as do many of the other groups that have testified today.

Certainly by any rational standard the diesel surcharge tax is more equitable than the STAA use tax, if the most important criteria for determining the amount of tax to be paid is highway use. Of all of the options given to Congress in the DOT use tax report, only the diesel surcharge proposal meets the test of equity, simplicity, enforceability, and will at the same time raise the necessary revenues as originally projected in 1982 for the highway trust fund.

Mr. Chairman, we urge your committee to proceed to immediate markup of H.R. 2124, making whatever changes are necessary in the surcharge level to generate income comparable to that projected for the STAA use tax in 1982. Our industries remain fervently committed to a strong highway program that is adequately funded by taxing mechanisms that are fair, affordable, and nonpunitive in nature.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF RICHARD L. PROULX, NATIONAL READY MIXED CONCRETE ASSOCIATION

My name is Richard L. Proulx. I am the President of City Concrete Company, Inc. of Dover, New Hampshire and I am currently a member of the Board of Directors of both the National Ready Mixed Concrete Association (NRMCA) and the National Sand and Gravel Association (NSGA). I am, in addition, representing NRMCA today in my capacity as a member of its special ad-hoc committee on the Heavy Vehicle Use Tax. Accompanying me are Kenneth R. Tobin, Director of Legislative Affairs for NRMCA and NSGA, and Richard A. Morris, Director of Regulatory Affairs for the same two associations.

The National Ready Mixed Concrete Association has for many years strongly supported the federally-aided highway program. This support includes advocating increased fuel taxes to assure adequate funding for the Highway Trust Fund that finances this program. It should come as no surprise, therefore, that the major components of the 1982 Surface Transportation Assistance Act had the ready mixed concrete industry's wholehearted support. The one exception was the dramatic, and in our view, inequitable increase in the Heavy Vehicle Use Tax.

Ready mixed concrete is a basic building material. It is transported and manufactured in uniquely designed vehicles which travel short distances and are loaded less than one-half of the time they are traveling on the roads. Simply stated, the impact of the new Vehicle Use Tax will be to increase the cost of a cubic yard of concrete between 20 cents and 50 cents (for some small companies it will run in excess of one dollar on a product which sells for less than $40) - a cost which will ultimately be paid by the taxpayer and the consumer. The expanded highway program will use a tremendous volume of concrete for the massive job of repairing and finishing the nation's highway transportation system, and therefore, any significant increase in the price of concrete will cause a considerable increase in costs for the highway program.

Our industry has been unusually hard hit by the recent recession. The production of ready mixed concrete is down nearly 25 percent nationwide and in some areas is down over 50 percent. The imposition of this increased tax on our industry's fleets of vehicles may force a number of smaller companies to go out of business, despite the new highway program. The market of many small ready mixed concrete producers, the overwhelming majority of those in the industry, does not include very much highway work. In addition, many highway construction contractors tend to process and manufacture concrete for road construction themselves.

The new Vehicle Use Tax would hit our industry at the worst possible time of the year. The cyclical nature of our business in many parts of the country as a result of winter weather conditions means that many companies would be deprived of needed start-up money because of the new pay-when-you-register use tax. The use tax could deprive some companies of as much as one to two percent of their anticipated gross revenues at the very start of the season. Finally, there are many other STAA taxes which our industry will continue to have to pay including a large excise tax on tires, that further aggravate the burden of the new use tax.

In response to the Surface Transportation Act of 1982, NRMCA conducted a survey of the industry, designed to develop basic information on the number, size and mileage traveled by ready mixed concrete trucks. Quite honestly, we were overwhelmed at the response from over 500 companies, having a fleet of 11,000 concrete truck mixers and representing about 22 percent of the concrete produced in 1982. Attached for the record are the complete results of our survey.

At this point, however, let me highlight figures which we believe will be of interest to you. In 1982, our industry produced 179.5 million cubic yards of concrete. The ready mixed concrete was delivered by a fleet of 60,000 truck mixers which traveled 544 million miles. Thirty percent of the fleet traveled less than 5,000 miles and 60 percent traveled less than 10,000 miles last year.

Over 50 percent of the ready mixed concrete truck fleet have gross vehicle weights of between 55,000 - 65,000 pounds. Due to the single purpose nature of our vehicles, they travel in excess of 50 percent of the time unloaded, and an extremely high percentage of the time partially loaded. The survey indicates that over 52 percent of the trips are made carrying at least 8,000 pounds less than their legal gross vehicle weight and one-fourth of the loads carry 16,000 pounds less than their rated capacity.

From the survey we can calculate that the consumers of ready mixed concrete will pay an additional $35.8 million in 1985 and $39 million by 1988.

Any rational approach to fair allocation of increased taxes must recognize specialty vehicles such as those which are designed for our industry and which travel relatively few miles during the course of a year. During consideration of the 1982 Highway Bill, we strongly urged the Congress to give consideration to increasing the 5,000 mile exemption from these taxes to a total annual mileage of 20,000. At the very least, some system must be devised to recognize mileage as an important factor in determining the tax. Heavy, low-mileage vehicles must not pay the same tax as heavy, high-mileage vehicles.

NRMCA and its sister association, the National Sand and Gravel Association, strongly support passage of H.R. 2124. Introduced by your colleague Bill Frenzel, this bill is now cosponsored by 239 members of the House. This legislation would substitute a diesel surcharge tax of 5 cents for the new Vehicle Use Tax. We recognize that due to the passage of time since this legislation was first introduced the surcharge may need to be increased by a penny or two to generate the necessary level of revenue for the Highway Trust Fund that would be lost by repeal of the STAA Use Tax. However, the basic concept of a diesel surcharge tax is, we believe, the fairest and most reasonable proposal yet made to replace the inherently inequitable STAA Use Tax.

In addition to providing for a tax that is a function of both weight and mileage traveled, the diesel surcharge proposal would collect revenues on a "pay as you go" basis. This would make the additional tax burden on heavy vehicle industries more easy to absorb. It would be a far more simple device to administer, and compliance, currently a major problem, would be virtually assured. Perhaps most important from a compliance standpoint, the diesel surcharge tax is percieved as being an equitable tax by most of those who must pay it. Frankly, it is hard for us to understand why such a perfect tax proposal has not been fully embraced by the Department of Transportation and IRS.

One of the purported reasons for opposing a simple diesel surcharge tax is that it fails the test of "equity" - whatever that subjective term is supposed to mean. Certainly, by any rational standard, the diesel surcharge tax is more equitable than the STAA Use Tax if the most important criteria for determining the amount of tax to be paid is highway use. Of all the options given to Congress in the DOT Use Tax report, only the diesel surcharge proposal meets the test of equity (in the opinion of the very diverse heavy vehicle industry) - simplicity, enforceability, and will at the same time raise the necessary revenues (as originally projected in 1982) for the Highway Trust Fund.

Mr. Chairman, we urge your committee to proceed to immediate mark-up of H.R. 2124 making whatever changes are necessary in the surcharge level to generate income comparable to that projected for the STAA Use Tax in 1982. Our industries remain fervently committed to a strong highway program that is adequately funded by taxing mechanisms that are fair, affordable and non-punitive in nature.

The Association and I appreciate the opportunity to present testimony today and I will be happy to answer any questions which you have. Thank you.

Characteristics and Use of Ready Mixed Concrete Trucks in the United States

by R. D. Gaynor and T. S. Khan(1)

Abstract

In early 1983 the NRMCA conducted a survey designed to develop basic information on the number, size and annual mileage traveled by ready mixed concrete trucks. A number of the indepenedent state associations helped collect information from their membership. Over 500 companies provided information representing about 22 percent of the concrete produced in 1982 and a total of over 11,000 concrete truck mixers.

The results can be summarized in the following tables:

Table A. Industry Totals

	1982	1979
Concrete Produced, c.y. x 10^6	179.5	224.2
Total Concrete Truck Mixers	60,000	67,000
Total Miles Traveled x 10^6	544	604
Fuel Usage	(approximately 1.0 gal./c.y. with over 90% being diesel)	

Table B. Annual Truck Mixer Mileage

Annual Mileage Less Than	% of Trucks with Less than Indicated Annual Mileage 1982	1979
500	8	3
2,500	17	8
5,000	30	21
10,000	60	54
15,000	87	83
20,000	96	96
25,000	99	99

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(1)Vice President of Engineering and Research and Staff Engineer, respectively, National Ready Mixed Concrete Association, Silver Spring, Maryland.

Table C. Distribution of Gross Vehicle Weights of Concrete Truck Mixers

Gross Vehicle Weight, 1,000 lb.	Percent of Truck Mixers
33-40	1.0
40-45	1.3
45-50	6.8
50-55	17.8
55-60	14.9
60-65	36.7
65-70	8.0
70-75	10.4
75-80	2.7
+80	0.4

Table D. Delivery of Less than Capacity Loads

Lb. less than maximum Load Allowed	Percent of Loads
0 (max. allowed)	97
8,000	52
16,000	25
24,000	11
32,000	3

Heavy Truck Tax

The total heavy truck tax that will be paid by ready mixed concrete producers can be computed from the published tax rates, the distribution of vehicle weights in Table C, the percentage of trucks which will qualify for the 5000 mile exemptions and the total number of trucks in the industry. The distribution in Table C times the tax rate gives a "factor" which represents the tax for the "average mixer truck."

Year	Factor, $	Number Trucks	% Not Exempt	Total Tax, $ (million)
1984	$851.44	60,000	70	35.8
1985	$851.44	60,000	70	35.8
1986	$879.50	60,000	70	36.9
1987	$907.57	60,000	70	38.1
1988	$935.63	60,000	70	39.3

It the economy recovers to 1979 levels then the total tax would increase by an additional 26 percent.

The ATA and others have suggested an additional 5¢ per gallon tax on diesel fuel as an alternate to the heavy truck tax. Under that proposal the industry would pay about $8.1 million (i.e. (1.0 gal./c.y.)(5¢)(179.5 x 10^6 c.y.)).

Characteristics and Use of Ready Mixed Concrete Trucks in the United States -- A Compilation of Data

by R. D. Gaynor and T. S. Khan(1)

Although the ready mixed concrete industry supported the need for increased highway and transportation funding provided by the Surface Transportation Assistance Act of 1982, there was concern that the heavy vehicle use tax depended only on gross vehicle weight and would unfairly penalize the low annual mileage vehicles operated in this industry. In February, 1983, NRMCA circulated a questionnaire developing basic data on annual mileage traveled by ready mixed concrete trucks, the gross vehicle weights of these trucks and the amount of time that partial loads were carried. The basic data were for 1982, but limited data from 1979 were also gathered to better estimate the effects of the recession on the 1982 information.

Survey Response

Four hundred and ten companies provided data for 1982 and of those 120 also provided mileage and production data for 1979. Table 1 is a summary of the survey responses. The 410 replies represented 11,000 mixer trucks, or 22 percent of the 1982 production. The 120 companies that provided both 1979 and 1982 data reported that 1982 production was only 61 percent of 1979 production. The comparable total industry value was 80 percent. This difference will limit the quantitative usefulness of this sample to predict truck usage in better economic times.

Table 2 provides a breakdown of the survey replies by size of company. Columns 4 and 6 give distribution by percentage of companies and the contribution of each size class to total industry production. The distributions in Columns 7 and 8 are derived from the 1977 Census of Manufacturers (MC77-1-32D). The census data break company size out by number of employees and the conversion to cubic yards of production is made from data on cubic yards per man-hour from the 1981 NRMCA Safety Contest Survey.

Comparison of Columns 4 and 7 shows that the survey contained too few very small Class G companies and too many large Class A, B, and C companies. Comparison of Columns 6 and 8 shows that the large companies in the sample produced a disproportionate percentage of the concrete.

These distributions are important whenever it is necessary to project sample results to total industry statistics. The one industry statistic which is considered reasonably accurate is total production. It is derived from cement industry reports of shipments to ready mixed concrete producers by the U. S. Bureau of Mines and the Portland Cement Association.

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(1) Vice President of Engineering and Research and Staff Engineer, respectively, National Ready Mixed Concrete Association, Silver Spring, Maryland, April, 1983.

Other sample data have been used to calculate the total number of mixer trucks in the industry and the total miles traveled by these trucks. The number of cubic yards per truck or miles per cubic yard varies systematically with company size. See Table 3. Therefore, to obtain representative industry totals for trucks or miles traveled the values for each company size are weighted by that size group's contribution to total industry production.

Total Mixer Trucks and Total Mileage Traveled

Tables 3 and 4 give the average ratios for each company size -- miles per cubic yard, cubic yards/truck and miles/cubic yard. These statistics were computed both including parked trucks and excluding them. For the purpose of this report, interest is in the "weighted average values" weighted using the distribution of production by different company sizes using the 1979 census data.

In 1982, the number of trucks and mileage traveled would be calculated from these ratios as follows:

$$\text{Total mixer trucks} = 179.5 \times 10^6/(2.99 \times 10^3)$$
$$= \text{c.y./c.y. per truck}$$
$$= 60{,}033 \text{ mixer trucks}$$

$$\text{Total miles traveled} = (179.5 \times 10^6)(3.03)$$
$$= (\text{c.y.})(\text{miles per c.y.})$$
$$= 543.9 \times 10^6 \text{ miles}$$

The ratios in Table 4 from the 120 company sample can be used to calculate the total trucks and total miles in 1982 and 1979 as follows:

		Total Trucks		Total Miles
1982	=	$179.5 \times 10^6/2.59 \times 10^3$	=	$179.5 \times 10^6 \times 2.86$
	=	69,305	=	513×10^6
1979	=	$224.2 \times 10^6/3.80 \times 10^3$	=	$224.2 \times 10^6 \times 2.56$
	=	59,000	=	574×10^6

Naturally, the predicted increase of 10,000 trucks between 1979 and 1982 is completely unexpected and is, in fact, due to the unrealistically low production of the 120 company sample in 1982. Note that the actual number of mixers reported by the 120 companies decreased about 10 percent (2585 in 1979 vs. 2323 in 1982). This decrease of 10 percent is considered much more logical. On this basis, the best estimate of the number of concrete trucks in the industry is 60,000 in 1982 and about 67,000 in 1979.

The estimates of total miles traveled seems somewhat more reasonable in that a 20 percent loss of production was accompanied by a decrease of only 10 percent in the total miles traveled. The total mileage traveled in 1982 of 544 million which was calculated from the 410 company sample is considered the more appropriate number.

Annual Mileage for Concrete Trucks

Table 5 is a summary of the annual mileage driven by concrete trucks. Columns 2, 3, and 4 give the values based on the number of trucks reported in the survey samples. The values in Columns 5 to 7 are considered more reliable since the mileage distributions were developed for each of 7 company sizes and these were weighted by the 1977 census distribution of production from each company size group.

As noted earlier, the values in Column 6 for the 120 company sample had very low 1982 production. That sample has a significantly larger percentage of parked trucks and low mileage trucks. The overall 410 company sample for 1982 should be compared to the 1979 data.

The percentages in Columns 5 and 7 can be used with the earlier estimates of total concrete trucks to compute the number of trucks parked and the number subject to the vehicle use tax under several assumptions that might be made.

Distribution of Concrete Truck Mixer Gross Vehicle Weight

Table 6 summarizes the gross vehicle weight data. This survey question attempted to develop information on both the gross vehicle weight of each truck used and the GVWR of the unit given on the final vehicle manufacturers sticker. This latter information was evidently difficult to determine and complete data were provided by only a portion of the sample. The final vehicle manufacturers certification appeared to range from slightly below to several thousand pounds above normal gross vehicle weight rating.

Distribution of Load Sizes

Table 7 gives the basic data on distribution of load sizes. These have been broken into two groups representing those companies with more or less than 12.5 percent of their loads over 8 cubic yards. Generally, this separates the data into companies with predominantly 8 cubic yard mixers and those whose mixers are predominantly 9 or 10 cubic yard capacity.

These distributions can be used to estimate the distribution of loads or deliveries below the legal maximum gross vehicle weights as in Table 8. A cubic yard of concrete is assumed to weigh 4000 pounds. It is clear, that over half the loads are at least 8000 pounds under the maximum legal weights permitted and that about 10 percent of the deliveries will be at least 24,000 pounds less than the maximum. Naturally, half the annual mileage will be with an empty truck.

Heavy Truck Tax

The total heavy truck tax that will be paid by ready mixed concrete producers can be computed from the published tax rates, the distribution of vehicle weights in Table 6, the percentage of trucks which will qualify for the 5000 mile exemptions and the total number of trucks in the industry. The distribution in Table 6 times the tax rate gives a "factor" which represents the tax for the "average mixer truck."

Year	Factor, $	Number Trucks	% Not Exempt	Total Tax, $ (million)
1984	$851.44	60,000	70	35.8
1985	$851.44	60,000	70	35.8
1986	$879.50	60,000	70	36.9
1987	$907.57	60,000	70	38.1
1988	$935.63	60,000	70	39.3

For the period of 1984 to 1988 inclusive this is a total of $185.9 million. If the economy recovers to 1979 levels then the total tax would increase by an additional 26 percent, to approximately $234.2 million.

Fuel Usage Tax

One proposal being discussed as an alternative to the heavy vehicle tax would be to impose an additional tax on diesel fuel of perhaps 5¢ per gallon. A survey of maintenance facilities in the industry in 1975 included return from 337 companies that were operating about 11,000 mixer trucks. Of these, 90 percent were diesel and 10 percent gasoline. Later that same year, data were collected on overall fuel usage which averaged 1.0 gallons per cubic yard. Under that proposal the industry would pay about $8.1 million per year (i.e., (1.0 gal./c.y.)(5¢) (179.5×10^6 c.y.))

Table 1. Survey Sample Sizes and Industry Totals

	410 Company Sample	120 Company Sample		
	1982	1982	1979	1982, % of 1979
No. Trucks	11,153	2,323	2,585	90
No. Miles Traveled	105.9×10^6	17,256	25,186	68.5
Total Production, c.y.	39.5×10^6	6.02×10^6	9.84×10^6	61.1
Industry Production, c.y.	179.5×10^6	179.5×10^6	224.2×10^6	80

Table 2. Distribution by Company Size of Total Production and Number of Companies

1 Company Size Class	2 Production c.y. (1000)	3 Survey 1982 Companies No.	4 Companies %	5 Survey 1982 Production c.y. (10^6)	6 Production %	7 1977 Census % Companies	8 % Production
A	+500	13	3.2	16.5	41.8	0.6	9.4
B	250-500	16	3.9	4.9	12.4	0.8	7.8
C	100-250	48	11.7	7.5	19.0	5.6	23.5
D	50-100	67	16.3	4.8	12.1	14.1	25.3
E	25- 50	94	22.9	3.3	8.4	17.7	16.9
F	10- 25	123	30.0	2.1	5.4	26.7	12.7
G	0- 10	49	12.0	0.4	0.9	34.5	4.3
Total		410	100	39.5	100	100	100

Table 3. Effect of Company Size on Truck Productivity and Mileage

1 Class	2 Company Production c.y.(1000)	3 Excluding Parked Trucks* Miles/ c.y.	4 c.y. Truck(1) (1000)	5 Mi/Truck* (1000)	6 Includes Parked Trucks Mi/c.y.	7 c.y. Truck(2) (1000)	8 Mi/Truck (1000)
A	+500	2.44	5.19	12.11	2.27	5.21	11.83
B	250-500	2.36	4.15	9.04	2.35	3.77	8.85
C	100-250	3.10	3.94	10.46	3.08	3.33	10.27
D	50-100	3.07	3.30	9.08	3.02	2.74	8.26
E	25- 50	3.40	2.76	8.47	3.34	2.42	8.10
F	10- 25	3.16	2.33	6.56	3.15	2.01	6.31
G	0- 10	4.26	1.67	6.25	4.13	1.45	5.99
Overall Av.					2.68	3.54	9.49
Wt. Avg.(3)					3.03	2.99	

* Excludes number of parked trucks and miles they traveled.

(1) Calculated as the average of individual values for each company; i.e., the average of the production value divided by the number of trucks for each company.

(2) Calculated as the average collectively; i.e., the total production divided by the total number of trucks for all companies. Under certain conditions, such as very large or small production values this calculation may be slightly distorted.

(3) Weighted by production from 1977 census data.

Table 4. Change in Truck Productivity and Mileage -- 1982 vs. 1979

Class	Company Production c.y. (1000)	No. Co.	Excluding Parked Trucks					
			Mi/c.y.		c.y./Truck (1000)		Mi./Truck (1000)	
			1982	1979	1982	1979	1982	1979
A	+500	(2)*						
B	250-500	5	2.52	2.26	3.92	4.68	8.93	10.44
C	100-250	11	2.73	2.37	3.64	4.90	8.85	11.23
D	50-100	16	3.21	3.38	2.93	3.65	8.35	10.46
E	25- 50	25	3.37	3.16	2.59	3.47	7.47	9.57
F	10- 25	45	3.02	2.74	2.27	3.33	5.95	8.41
G	0- 10	18	3.93	3.83	1.60	2.20	5.53	7.47
Overall Av.		120	2.86	2.56	2.59	3.80	7.42	9.74

*Only two companies in production Class A reported 1979 data.

Table 5. Annual Mileage for Concrete Trucks

1	2	3	4	5	6	7
Annual Mileage Less Than	% of Concrete Trucks with Annual Mileage Less Than Indicated					
	% of Trucks in Sample			Weighted by Co. Size & Census Data		
	410 Cos.	120 Companies		410 Cos.	120 Companies	
	1982	1982	1979	1982	1982	1979
500	6.2	12.4	3.0	7.8	12.5	3.1
2,500	13.3	22.8	8.1	16.6	22.5	8.3
5,000	24.3	38.2	20.4	30.3	37.7	20.6
10,000	53.8	70.1	54.7	60.2	69.5	54.2
15,000	86.2	90.8	82.6	87.3	90.4	82.7
20,000	95.7	98.1	96.3	96.3	97.9	96.2
25,000	99	99.7	99.5	99	99.7	99.5
30,000	100	100	100	100	100	100

Table 6. Distribution of Gross Vehicle Weights of Concrete Trucks

Gross Vehicle Weight, (1,000 lb.)	No. Trucks Reported	Percent of Trucks
33-40	111	1.0
40-45	149	1.3
45-50	798	6.8
50-55	2,083	17.8
55-60	1,745	14.9
60-65	4,299	36.7
65-70	939	8.0
70-75	1,218	10.4
75-80	310	2.7
+80	49	0.4

Table 7. Distribution of Load Sizes

Load Size, cu. yd.	Percent of Loads	
	<12.5% over 8 cu. yd.	>12.5% over 8 cu. yd.
0-2	6.4	5.6
2-4	13.7	9.0
4-6	28.1	15.5
6-8	48.7	25.1
8-10	3.1	41.5
10-12	0	3.3
No. Companies	191	211

Table 8. Delivery of Less than Maximum Capacity Legal Loads

Partial Load Less than Maximum Legal Load Allowed, lbs.	Percent of Deliveries		
	Nominal 32,000 lb. Load (8 cu.yd.)	Nominal 40,000 lb. Load (10 cu. yd.)	Weighted Average
0 (max. allowed)	96.9	96.7	96.8
8,000	48.2	55.2	51.9
16,000	20.1	30.1	25.3
24,000	6.4	14.6	10.7
32,000		5.6	2.9

Mr. GIBBONS. Thank you, sir.

Our next witness represents the solid waste folks. Mr. Selis, and you are accompanied by Arleen Shulman, your Federal affairs manager.

STATEMENT OF LEWIS SELIS, PRESIDENT, EASTERN TRANSWASTE, ON BEHALF OF NATIONAL SOLID WASTES MANAGEMENT ASSOCIATION, ACCOMPANIED BY ARLEEN SHULMAN, FEDERAL AFFAIRS MANAGER

Mr. SELIS. Mr. Chairman, members of the committee, I am Lewis Selis, president of Eastern TransWaste, a small firm involved in refuse collection in the Washington metropolitan area. I am representing the National Solid Wastes Management Association, the voice of the waste service industry. Accompanying me is Arleen Shulman, Federal affairs manager of the National Solid Wastes Management Association.

The industry is comprised of approximately 10,000 private firms who operate about 60,000 refuse-hauling vehicles. We are pleased to be able to present testimony to the House on the issue of alternatives to the highway use tax.

We are presently part of the Coalition for Equitable Truck Taxes which supports H.R. 2124, a replacement of the highway use tax with an increased tax on diesel fuel. The pay-as-you-go nature of this tax is an important part of our support for this method of paying road taxes. However, the present fuel tax is inequitable for refuse collection firms. If a diesel differential is enacted, the equity will only get worse.

The fuel tax is intended to be a user fee to pay for highway construction and maintenance; yet, refuse haulers must pay Federal taxes on significant amounts of fuel not used for travel but for loading, compacting and unloading trash—operations that bear no relation to highway-related impacts.

Most refuse trucks on the road today are commonly termed packer trucks, which replace the open-topped dumptrucks from the 1950's. The truck uses a power takeoff unit which is powered by accelerating the truck's engine. Using the compactor vehicles instead of the earlier open trucks has not only reduced the environmental exposure of garbage during collection, but has greatly reduced the cost of refuse collection.

The National Solid Wastes Management Association has conducted tests all over the country with different kinds of trucks over different kinds of routes and has determined that the refuse trucks use an average of 37 percent of its fuel just to run the power takeoff unit, which brings the average mileage per gallon down to 3.5. Another 15 percent is used for travel over nonpublic roads.

Despite such high levels of fuel use for nonhighway purposes, refuse truck operations must pay Federal taxes on all of it, according to IRS Code section 4041. The IRS regulation, section 48-4041-6, states that tax need not be paid if a truck has a separate motor to operate special equipment, even if that motor draws fuel from the same tank as a propulsion engine. In that case, the taxpayer can make a reasonable determination of the quantity of fuel used in the separate motor based upon operating experience.

Use of an auxiliary engine for trash vehicles, however, even with the resulting tax break is very uncommon because of the enormous cost of the extra equipment. Consequently, refuse vehicles should not be penalized because they efficiently use a power takeoff rather than a separate auxiliary engine.

We believe the same principle—making a reasonable determination of fuel use for special equipment—ought to be available for the refuse truck without separate engines to operate special equipment.

We urge Congress to provide a legislative solution by adopting a standard percentage fuel tax rebate for refuse compacting vehicles. We can provide documentation for at least 35 percent rebate. A 35-percent rebate would be fair and simple to administer. A standard percentage rebate is in the best interest of both the industry and the Government, as it is easy and economical to administer, as opposed to requiring individual documentation on a vehicle basis.

About 10 States have fuel tax rebates for the use of fuel other than propulsion, many of which have adopted a standard percentage rebate for the refuse industry. Refuse haulers use so much of their fuel for purposes which can cause no damage to the road that they are paying considerably more than a strict user fee would dictate.

In addition, strict Federal weight limits, particularly the bridge formula, prevent many refuse vehicles from using interstate highways. Thus, our industry not only pays taxes for nontransportation purposes, but they also pay taxes for road funds which we cannot use.

We urge this committee to give our unique problem serious consideration when it approves highway legislation for trucking this year. We would be glad to provide further documentation and any other information for the record upon request.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Lewis Selis, President, Eastern TransWaste, Representing National Solid Wastes Management Association

Mr. Chairman and members of the Committee. My name is Lewis Selis, president of Eastern TransWaste, a small firm involved in refuse collection in the Washington metropolitan area. I am representing the National Solid Wastes Management Association the voice of the waste service industry. Accompanying me is Arleen Shulman, federal affairs manager of NSWMA. The industry is composed of approximately 10,000 private firms who operate about 60,000 refuse hauling vehicles. We are pleased to be able to present testimony to the House on the issue of alternatives to the highway use tax.

We are presently part of the Coalition for Equitable Truck Taxes which supports H.R. 2124, a replacement of the highway use tax with an increased tax on diesel fuel. The pay-as-you-go nature of this tax is an important part of our support of this method of paying road taxes.

However, the present fuel is inequitable for refuse collection firms. If a diesel differential is enacted, the equity will only get worse. The fuel tax is intended to be a user fee to pay for highway construction and maintenance, yet refuse haulers must pay federal tax on significant amounts of fuel not used for travel, but for loading, compacting and unloading trash, operations that bear no relation to highway-related impacts.

WHY TRASH TRUCKS ONLY GET 3.5 MPG

Most refuse trucks on the road today are what is commonly termed "packer" trucks, which replaced the open-topped dump trucks in the 1950s. The truck body itself has a huge blade which crushes the trash repeatedly during the course of a route. The compaction assures that refuse can be contained in a litter-free, vector resistant, odor-confining closed body that can be used to its maximum efficiency. The compaction blades are pushed by a hydraulic mechanism called a power take-off (PTO) unit which is powered by acclerating the truck's engine. Use of compactor vehicles instead of the earlier open trucks has not only reduced the environmental exposure of garbage during collection but has greatly reduced the cost of refuse collection.

Not only do trash collection trucks use significant amounts of fuel for non-highway uses, but these trucks also spend a great deal of their routes on private property, for example, on industrial roads owned by their customers and at the disposal facility. Some trucks serving industrial accounts are only on public highways one hour of every working day—and half of that time, of course, are running completely empty.

NSWMA has conducted tests all over the country with different kinds of trucks, over different kinds of routes, and has determined that a refuse truck uses an average of 37% of its fuel just to run the PTO, which brings the average mileage per gallon down to 3.5. Another 15% is used for travel over non-public roads. We have attached summary graphs indicating the results of those tests.

THE PRESENT TAX RULES

Despite such high levels of fuel use for non-highway purposes, refuse truck operators must pay federal fuel tax on all of it.

According to the IRS Code (Section 4041), any fuel used in a highway vehicle (a vehicle registered or required to be registered for road use) fuel must be taxed. There are some exemptions, and business vehicles such as landfill compactors which do not travel on roads at all need not pay tax.

IRS regulations (Section 48, 4041-6) state that tax need not be paid if a truck has a separate motor to operate special equipment, even if that motor draws fuel from the same tank as the propulsion engine. In that case, the taxpayer can make a reasonable determination of the quantity of fuel used in the separate motor, based on operating experience. Use of an auxiliary engine for trash vehicles, however, even with the resulting tax break is very uncommon because of the enormous cost of the extra equipment. Refuse vehicles should not be penalized for the degree of efficiency using a PTO rather than an auxiliary engine provides.

LEGISLATIVE CHANGES NEEDED

We believe the same principle, making a reasonable determination of fuel used for special equipment, ought to be avaiable for refuse trucks without separate engines to operate special equipment. The tax rules were written about 15 years ago when compactor vehicles were not in universal use as they are today. Congress raised the fuel tax rate in April 1983, changes n the regulations were not really worth pursuing at the federal level. But at 9¢/gallon, the amount of tax a refuse truck pays for non-transportation purposes becomes much more significant, and should Congress increase the diesel tax, would become disproportionately high.

We urge Congress to provide a legislative solution by adopting a standard percentage fuel tax rebate for refuse compacting vehicles. We can provide the documentation for at least a 35 percent rebate. A 35 percent rebate would be fair and simple to administer even though some classes of vehicles (notably the common rear-loading packer) might justifiably claim a higher percentge of exempt usage.

A standard percentage rebate is in the best interests of both the industry and the government, as it is easy and economical to administer as opposed to requiring individual documentation on a vehicle basis. We have found metering of refuse vehicles to be expensive, and even under highly controlled test conditions, not totally reliable, given the rough terrain of landfills which the trucks must negotiate. NSWMA's tests were run using meters and using a comparison method with a sealed fuel tank. (A vehicle's fuel use on routes with all normal loading and compacting was compared to fuel use for traveling the route only.) Any effort to use meters for purposes of permanent individual recordkeeping would significantly increase disposal costs for the consumer and the hauler.

REVENUE ESTIMATES AND OTHER CONSIDERATIONS

There are about 100,000 refuse vehicles on the road, but not all of them are packer trucks and a significant number are municipal trucks which pay no fuel taxes. We estimate there are about 40,000 trucks which should qualify for the fuel tax rebate. Average mileage is about 3.5 miles per gallon, far below the average DOT estimates for vehicles of the same size. At the current fuel tax of 9¢ per gallon, these operators pay about $21 million just in federal fuel tax every year. A 35 percent fuel tax rebate would yield a revenue loss of about $7 million annually.

About 10 states have state fuel tax rebates for use of fuel for other than propulsion, many of which have adopted a standardized percentage rebate for the refuse industry.

To the best of our knowledge, the only other type of vehicle which uses such significant amounts of fuel for non-propulsion is the cement mixer.

CONCLUSIONS

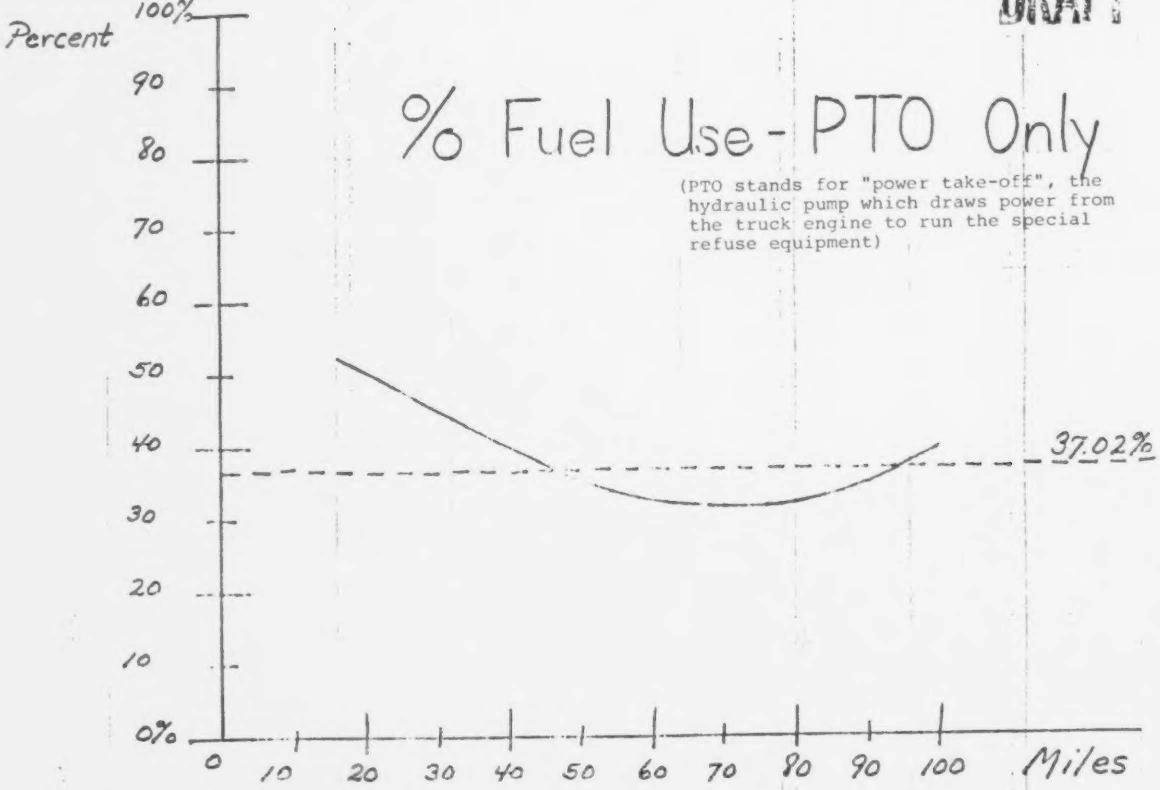
The willingness of people to be taxed depends a great extent on the equity of that tax. Refuse haulers use so much of their fuel for purposes which cause no damage to the roads, that they are paying considerably more than a strict user fee would dictate.

In addition, strict federal weight limits, particularly the bridge formula, prevent many refuse vehicles from using interstate highways, to which so much of the Highway Trust Fund is dedicated. Thus, our industry not only pays tax for non-transportation purposes, they also pay tax to fund roads they can't use!

We urge this Committee to give our unique problem serious consideration when it acts to improve highway taxes for the trucking industry this year.

We would be glad to provide further documentation and any other information for the record upon request.

DRAFT



% Fuel Use - PTO Only

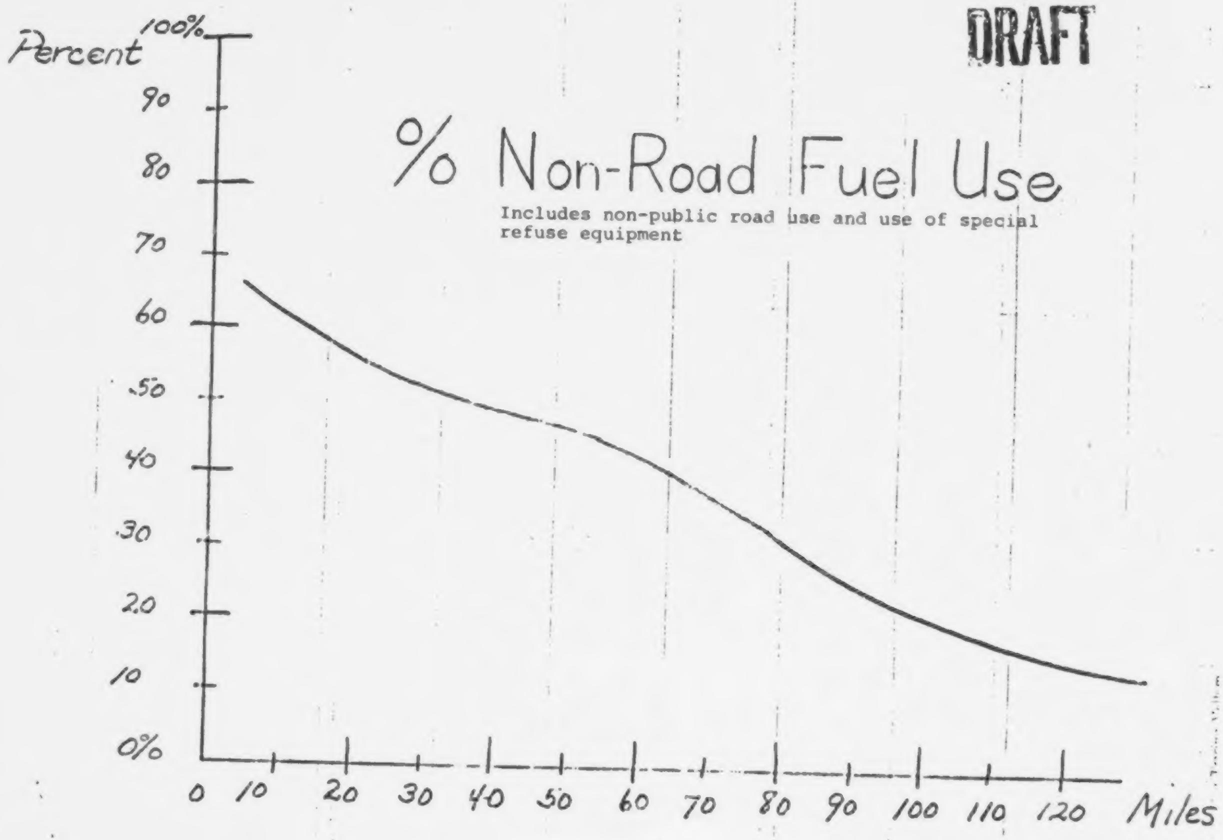
(PTO stands for "power take-off", the hydraulic pump which draws power from the truck engine to run the special refuse equipment)

Chart I

NSWMA - 1981

OVER

DRAFT



% Non-Road Fuel Use

Includes non-public road use and use of special refuse equipment

Chart II

NSWMA - 1981

Mr. GIBBONS. Thank you.

Mr. Zegar.

STATEMENT OF DENIS R. ZEGAR, VICE PRESIDENT, GOVERNMENT SERVICES, NATIONAL-AMERICAN WHOLESALE GROCERS' ASSOCIATION

Mr. ZEGAR. Thank you, Mr. Chairman.

My name is Denis Zegar. I am vice president of government services for the National-American Wholesale Grocers' Association.

NAWGA is a nonprofit association of grocery distribution companies that provides programs in technical, educational and government services on behalf of its nearly 400 wholesale grocers. NAWGA members operate over 850 distribution centers nationwide serving independent grocery stores and food establishments throughout the Nation. NAWGA members' annual sales volume approaches $50 billion, accounting for roughly one-third of the Nation's grocery supply distributed through such centers. In addition, NAWGA members employ approximately 250,000 people nationwide.

NAWGA believes that in formulating its final analysis of DOT's alternatives, a realistic and equitable measure which meets highway revenue needs must be the goal of Congress. NAWGA believes that the heavy use tax in its present form and dimension is excessive and inappropriate. The preference of our members is for a pay-as-you-go measure in which tax obligations are related to the scope of actual highway use. In addition, the weight component should be one factor in a pay-as-you-go formula.

The exemption from heavy use taxes for vehicles under 33,000 pounds must also be retained. The operators of smaller trucks are most commonly small business which primarily serve inner-city clients and routes. These people do not generally engage in extended over-the-road operations which have the effect of heavy wear and tear on the Nation's highways. Since these operators are not the users of heavy vehicles to whom the STAA directs attention, they should continue to be exempted from the tax.

In conclusion, NAWGA and others are concerned with the high level of the present heavy use tax and its impact upon an industry which is presently experiencing wide financial distress. Therefore, retention of the heavy use tax in its present form is unacceptable.

Some of the alternatives presently being considered, however, would constitute an unfair and inappropriate allocation of cost of maintaining, renovating, and improving the Nation's highways. The Congress is urgently looking for a solution to this problem which we can all live with.

We at NAWGA endorse a pay-as-you-go tax with weight as a component in the formula with a 33,000 pound exemption. Such a formula would truly reflect a more fair and equitable user's tax. That is why NAWGA supports H.R. 2124.

Mr. Chairman, you initially made a request that we provide some information for trucks over 80,000 pounds, and I have before me a very brief survey that we did before coming here in which we had approximately 52 respondents from our membership. Of the 52 respondents in this survey, 11 of them had 420 trucks over 80,000 pounds. The majority, however, of our trucking fleet is between 55,000 and 80,000 pounds, of which the 52 companies responding, 34 had 1,717 trucks in this range.

I might also add that we are entirely private carriers. We do use some common carriage, but each of our members depend upon their own private carriage. In addition we have quite a few trucks that are under 33,000 pounds, which is primarily for delivery by our institutional food service division members that supply mostly restaurants, hospitals, and institutional accounts within the city limits. So we have trucks that range from under 10,000 all of the way to over 80,000.

[The prepared statement follows:]

STATEMENT OF DENIS R. ZEGAR, VICE PRESIDENT, GOVERNMENT SERVICES, NATIONAL-AMERICAN WHOLESALE GROCERS' ASSOCIATION

SUMMARY

NAWGA is a non-profit association of grocery distribution companies that provides programs in technical, educational, and governmental services on behalf of its nearly 400 wholesale grocers. NAWGA members operate over 850 distribution centers throughout the Nation. NAWGA member's annual sales volume approaches $50 billion, accounting for roughly one-third of the Nation's grocery supply distributed through such centers. In addition, NAWGA members employ approximately 250,000 people nationwide.

REPORT ON PROPOSED ALTERNATIVES TO HEAVY USER TAX

The heavy use tax in its present form is a user charge, based on a nationally uniform rate, in which taxes are assessed on the basis of graduated vehicle weight. In the enacting of STAA, Congress directed the Department of Transportation to consider alternatives to the tax in its present form, and directed that such measures be based upon vehicle size or configuration, vehicle weight (registered and actual operating weight) and distance traveled, either alone or in combination.

"Pay as you go" formula, with taxes related to weight and highway use.

NAWGA believes that in formulating its formula analysis of these alternatives a realistic and equitable measure which meets highway revenue needs must be the goal of Congress. NAWGA believes that the heavy tax in its present form and dimension is excessive and inappropriate. The preference of our member is for a "pay as you go" measure, in which tax obligations are related to the scope of actual highway use. In addition, the weight component should be one factor in the "pay as you go" formula.

The exemption from heavy use tax for vehicles under 33,000 pounds must be retained. The operators of smaller trucks are, most commonly, small businesses which primarily serve inner city customers, clients and routes. These small businesspeople do not generally engage in extended over-the-road operations which have the effect of hevy wear and tear on the Nation's highways. Since these operators are not the users of heavy vehicle to whom the STAA directs attention highway maintenance funding they should continue to be exempted from the tax.

In conclusion, NAWGA and others are concerned with the high level of the present heavy use tax and its impact upon an industry which is presently experiencing wide financial distress. Therefore, retention of the heavy use tax in its present form is unacceptable. Some of the alternatives presently being considered, however would constitute an unfair and inappropriate allocation of the costs of maintaining, renovating and improving the Nation's highways. The Congress is urgently looking for a solution to this problem which we can all live with. We at NAWGA endorse a "pay as you go" tax with weight as a component in the formula with a 33,000 pound exemption.

STATEMENT

Identification of NAWGA

Mr. Chairman and Members of this Committee. My name is Denis R. Zegar and I am Vice President for Government Services of the National-American Wholesale

Grocer's Association (NAWGA). I am pleased to be before this Committee today to state the views of the wholesale grocery industry.

NAWGA is a non-profit trade association of grocery distribution companies that provides programs in technical, educational, and government services on behalf of its nearly 400 wholesale grocers. NAWGA members operate over 850 distribution centers nationwide, serving independent grocery stores and foodservice establishments throughout the Nation. NAWGA members' annual sales volume approaches $50 billion, accounting for roughly one-third of the Nation's grocery supply distributed through such centers. In addition, NAWGA members employ approximately 250,000 people nationwide. NAWGA's food service division, the International Foodservice Distributors Association (IFDA), represents members firms that sell annually over $10 billion food and related products to the institutional, away-from-home food service market.

NAWGA's diverse membership relies on a wide range of vehicles, measured by size and weight, to perform their important transportation functions. Many of our members maintain substantial private fleets, while others rely heavily or exclusively on contract or common carriers. NAWGA members, therefore, are representative of both shippers and receivers who make wide use of their own transportation capabilities, or rely to a great degree upon commercial trucking interests whose charges inevitably reflect the cost of their services.

REPORT ON PROPOSED ALTERNATIVES TO HEAVY USER TAX

The heavy truck use tax in its present form is a user charge, based on a nationally uniform rate, in which taxes are assessed on the basis of graduated vehicle weight. In enacting STAA, Congress directed the Department of Transportation to consider alternatives to the tax in its present form, and directed that such measures be based upon vehicle size or configuration, vehicle weight (registered and actual operating weight) and distance traveled, either alone or in combination.

In its recent Working Paper, the Federal Highway Administration described consideration of nine options, which included:

(1) The elimination of the use tax.

(2) The increase of the tax on diesel fuel by 16 cents, accompanied by the elimination of the use tax.

(3) The increase of the diesel fuel tax by 14 cents, with the accompanying exemption only of those vehicles under 10,000 pounds. This proposal also envisions the reduction of the rate of the present use tax by one-half (with a ceiling of $950), with an exemption of vehicles under 55,000 pounds.

(4) the increase of the diesel fuel tax by 14 cents, with the accompanying exemption of vehicles under 10,000 pounds. This proposal would reduce the rate of the present use tax by one-half, exempt vehicles traveling less than 20,000 miles and retain the present threshold at 33,000 pounds.

(5) A proration of the heavy truck are fee based upon mileage. This proposal would also increase the existing fee rate and fee ceiling.

(6) The elimination of the use tax, with the graduation of the diesel tax, determined by weight, for vehicles over 33,000 pounds.

(7) The elimination of the lump-sum heavy truck use tax, replaced by a weight distance tax, stratified in detail.

(8) The elimination of the heavy truck use, sales and tire taxes, and by a stratified weight distance tax; and

(9) The elimination of the present heavy truck use tax, with its replacement by a charge based upon a axle weight-distance measure, with a detailed stratification of rates.

Of these alternatives, the Working Paper identifies Option 3 (reducing the rates and coverage of the heavy vehicle use tax, while increasing the diesel fuel tax) and Option 7 (eliminating the heavy vehicle use tax, and substituting a stratified weight-distance tax), as the most promising alternatives. While certain elements of the favored options are positive measures, NAWGA wishes to emphasize what it views as the most critical elements of desirable heavy use tax formula.

NAWGA shares the concerns previously expressed to the Congress and the Department of Transportation by numerous motor carrier representatives regarding the high level of the present heavy use tax and its impact upon an industry, which is presently experiencing wide financial distress. For that reason, retention of the heavy use tax in its present form is unacceptable. At the same time, some of the alternatives reviewed in the Working Paper would constitute an unfair and inappropriate allocation of the costs of maintaining, renovating and improving the nation's highways. Illustrative of such an unacceptable alternative would be a formula based upon a *pure* diesel differential approach, which would impose the same tax upon all diesel powered vehicles, regardless of weight. Such an approach would impact severely on the largest segment of the trucking industry (vehicles below 55,000 pounds which are presently exempt from use taxes.

"Pay as you go" formula, with taxes related to weight and highway use.

The intent of Congress in enacting STAA was to implement an allocation of highway costs to the users of those roadways by distributing such costs on the basis of wear and damage caused by various classes of highway users. At the same time, both the methods of cost allocation, as well as the means of collection and enforcement under various proposals, are susceptible (and have been subjected) to various attacks and criticism.

NAWGA believes that in formulating its final analysis of these alternatives, a realistic and equitable measure which meets highway revenue needs must be the goal of Congress. As a frame of reference, NAWGA and its membership wish to advance certain basic views on what should be incorporated into an alternative to the present heavy truck use tax. As noted above, NAWGA—along with most interested parties—believes that the heavy use tax in its present form and dimension is excessive and inappropriate.

It is also clear that some significant change—scrapping the flat tax or sharply reducing it—must be made. The preference of our members is for a "pay as you go" measure, in which tax obligations are related to the scope of actual highway use. Such an approach would be more equitable than the present flat rate, unrelated as it is to the quantum of highway use, and is less burdensome in the volatile economic and business climate which presently exists in the transportation industry. In addition, while some meritorious criticism has been made of earlier cost allocation studies, it would appear likely that vehicle weight will probably be a substantial component of any ultimate formula for truck use taxes. NAWGA's preference is that that weight component be one factor in a "pay as you go" formula.

The exemption from heavy truck use tax for vehicles under 33,000 pounds should be retained.

It is NAWGA's view that the retention of the present exemption from heavy use tax of trucks under 33,000 pounds, must be adopted in the scheme or mechanism ultimately adopted by Congress. The operators of small trucks, such as those below 33,000 pounds in weight, are not the users of heavy vehicles to whom the STAA directs attention for highway maintenance and improvement funding. They are, most commonly, small businesses which primarily serve inner city customers, clients and routes. The International Foodservice Distributors Association, a division of NAWGA, represents such businesses and is concerned that the burden of paying for long hand road repairs will be disproportionately placed on them. We urge Congress to retain the 33,000 pound exemption.

These small business people do not generally engage in extended and regular over-the-road trucking operations which have the effect of imposing heavy wear upon the nation's highways. Rather, such operators generally service local customers in a more narrow geographic area. They also face, in many instances, the increased operating costs of conducting business in and around metropolitan areas, such as higher labor costs.

NAWGA believes that the imposition of additional costs upon such business, in the form of enhanced truck use taxes, would be inequitable and unwise. Such small commerical enterprises, which primarily rely upon smaller trucks make very limited contributions to road deterioration for that reason, it would be unfair for such entities to bear a tax burden analogous to that imposed upon heavy and regular users of interstate highways. Moreover, the placement of additional operating costs on smaller enterprises which provide needed employment and services often in inner city areas badly in need of those two elements, would pose undesirable dangers and threaten the continued vitality of such organizations.

I would like to thank this Committee for the time afforded me to present the views of NAWGA and the wholesale grocery industry. I hope that you consider my remarks and change the STAA so that it reflects a more equitable highway use tax. Thank you.

Mr. GIBBONS. I want to come back to that 80,000 when we get through this.

The Forest Products Trucking Council, Mr. Lewis.

STATEMENT OF RICHARD LEWIS, DIRECTOR OF FORESTRY PROGRAMS, AMERICAN PULPWOOD ASSOCIATION, INC., ON BEHALF OF THE FOREST PRODUCTS TRUCKING COUNCIL

Mr. Lewis. Thank you, Mr. Chairman. I think it is very kind of you to sit through all of these panels, particularly the last ones, the folks that pay the bill.

Mr. Gibbons. Well, I am interested in what you say, and so are the other members.

Mr. Lewis. Good.

The Forest Products Trucking Council is a voluntary, nonprofit, unincorporated trade association. We have 34 State, regional and national forestry associations that are members. Our statement has been submitted, and we hope it will be a part of the permanent hearing record.

Mr. Gibbons. It will be.

Mr. Lewis. Individual members of the associations in our council are typically small businessmen who own three or fewer trucks and make their living harvesting and hauling forest products. In most cases these businesses are family-owned and staffed and employ fewer than eight people.

Forest products trucking is notably similar to a farmer's farm-to-market trucking operation in that it is a short distance, one-way operation with no loaded backhauls. And when the log truck returns from the mill to the forest, it is traveling empty. In fact, in some regions of our country farmers frequently haul pulpwood and logs during periods of low farming activity.

Our business—logging and transportation of logs and pulpwood—is a year-round activity in most forest regions, but it is subject to numerous production stoppages and slowdowns caused by extremely inclement weather and by market fluctuations. Many of our more efficient loggers maintain extra trucks, and they use these extra trucks to take advantage of good weather conditions or high market demand.

The heavy vehicle use tax imposed by STAA will make it economically difficult, if not impossible, to license these standby trucks, and we feel it will greatly diminish the potential earnings of these businessmen. For that reason, we urge that the current heavy vehicle use tax be replaced with an additional increase in diesel fuel tax. We recognize, as many of the other witnesses do, that the passage of time has made the 5-cent diesel differential embodied in H.R. 2124 not revenue neutral. So we support 1-cent incremental increases in the tax on diesel fuel necessary to collect substantially the same revenue.

The pulpwood and log truckers which this council represents tell us they feel a pay-as-you-go diesel tax is equitable, because it relates proportionately to a truck use on the highways and bridges. It is easier for these pulpwood and log truckers to understand, pay and allocate in their relatively unsophisticated cost accounting systems, and it does not discourage these pulpwood and log truckers from licensing spare trucks for peak periods of demand.

They also tell us a couple of other interesting things. If the Treasury thinks it has a 20 percent compliance problem now with the $240 heavy vehicle use tax, they claim this will be greatly exacerbated when the tax increases to $650, as proposed in DOT alternative number 4, or to $1,600 under the current STAA.

But these folks also state unequivocally that they are willing to be subject to the increased revenue neutral pay-as-you-go diesel fuel tax.

Mr. Chairman, there have been some comments here earlier in the hearings that increased diesel fuel tax will encourage truckers to illegally substitute untaxed home heating oil. We feel that this is an unsupported, capricious and a ballooned allegation by AASHTO and others who are opposed to increasing the diesel fuel tax.

Our log and pulpwood trucks consume 5,000 to 12,000 gallons of diesel fuel per year, as you might suspect, that's one heck of a lot of fuel to pump into a home heating oil tank and back out into a logging rig, not to mention trying to explain this kind of home heating oil consumption to your local distributor.

Our folks also tell us they are unwilling to run the risk of contamination and engine problems. Yesterday we asked one of our members in south central Pennsylvania about this potential problem area, and he laughed over the phone and explained in his area, home heating fuel was currently 6 cents a gallon more expensive than the taxed diesel fuel he was buying. He allowed he was trying to figure out a way to use the over-the-road diesel fuel in his furnace.

You've also heard from AASHTO, AAA, and the Environmental Policy Institute how the weight-distance problems are a panacea for our problems. Well, the Forest Products Trucking Council members in Oregon, the State these folks say the weight-distance tax is supposed to be working so well in, tell us a different story. They tell us that the administrative costs are not the 5 to 7 percent claimed by the Government agencies who administer this tax, but rather our pulpwood and log truckers claim their studies show it takes 20 cents of every tax dollar to collect this tax.

They also tell us anyone who knows what the terms "finagle factor" and "speedometer disconnect" means will have some idea of the compliance problems with this kind of self-reporting tax.

Mr. Chairman, other members, thank you very much for this opportunity to present our short testimony on this tax issue. We hope you and the rest of your committee members will give serious and prompt consideration to replacing this heavy vehicle use tax with a more equitable pay-as-you-go diesel tax.

Thank you.

Mr. GIBBONS. Thank you.

[The prepared statement follows:]

STATEMENT OF THE FOREST PRODUCTS TRUCKING COUNCIL

INTRODUCTION

The Forest Products Trucking Council (FPTC) is a voluntary, nonprofit, unincorporated trade association, comprised of the following 34 state, regional, and national forestry associations:

Alabama Forestry Association; Alaska Loggers Association, American Pulpwood Association, Inc., Arkansas Forestry Association, Florida Forestry Association, Inland Forest Resource Council, Iowa Wood Industries Association, Louisiana Forestry Association, Maine Forest Products Council, Maryland Forests Association, Massachusetts Wood Producer Association, Michigan Association of Timbermen, Minnesota Timber Producers Association, Montana Logging Association, New Hampshire Timberland Owners Association, New York State Timber Producers Association, Inc., North Carolina Forestry Association, Northeastern Loggers' Association, Inc. Northern Hardwood and Pine Manufacturers Association, Inc. Northern Woods Logging Association, Oklahoma Forestry Association, Oregon Forest Products Transportation Association, Pennsylvania Forestry Association, South Carolina Forestry Association, Southeastern Lumber Manufacturers Association, Southern Forest Products Association, Southern Hardwood Lumber Manufacturers Association, Southern Hardwood Traffic Association, Southern Oregon Timber Industries Association, Tennessee Forestry Association, Texas Forestry Association, Timber Producers Association of Michigan and Wisconsin, Vermont Timber Truckers and Producers Association, Wood Producers Association of Connecticut.

The Forest Products Trucking Council represents its members on issues that affect the trucking of pulpwood, woodchips, logs, and other unprocessed wood fiber from the forest to the mill. Objectives of the FPTC include promoting the interests of pulpwood and log trucking, encouraging discussion, gathering and sharing information on safe and efficient forest products trucking, representing the forest products trucking industry in legislative affairs and regulatory efforts, and developing voluntary trucking standards. The American Pulpwood Association Inc., an FPTC member, serves as the Council secretary.

CHARACTERISTICS OF LOG TRUCKING

Individual members of the associations represented in this statement are typically small businessmen who generally own three or fewer trucks and are deeply involved in virtually all aspects of forest products harvesting and transportation. In most cases these businesses are family-owned and staffed and employ fewer than eight employees.

Many of the characteristics of log trucking are extremely similar to a farmer's "farm-to-market" trucking operation. In fact, in some regions farmers frequently haul pulpwood and logs during periods of low farming activity.

Pulpwood and log trucks, for obvious reasons, travel primarily over the little-used back roads in the forested regions of our country. Pulpwood and logs are a relatively low-value, high-bulk commodity, and truck-haul distances are kept to an absolute minimum to reduce raw material costs. The majority of our pulpwood and log trucking members make one or two 30–130 miles round trips per day and average 25,000–60,000 miles per year on their trucks.

Forest products trucking is notably similar to farm-to-market transportation in that it is a short-distance, one-way operation, with no loaded back haul when the log truck returns from the mill to the forest.

A study of over 6,000 Southern pulpwood logging operations made in 1979 inventoried 1,270 tractor-trailer combination trucks and an additional 1,817 tandem and tri-axle trucks which would be subject to the heavy vehicle use tax imposed by STAA. Also inventories were 4,717 single-axle trucks, which would be mostly unaffected. The ratio of tractor-trailers used in pulpwood transportation in the Lake States in a 1978 survey was 62%, and tandems and tri-axles represented 32%. Only 6% of the trucks used were single-axle. In the West virtually all trucks used in log transport are tractor-trailer units.

Logging, although a year-round activity in most forested regions, is subject to production stoppages and slowdowns caused by bad weather and by market restraints. Many efficient loggers maintain extra or standby trucking units to enable them to take advantage of good weather conditions or high market demand. The heavy use tax imposed by STAA will make it economically difficult or disadvantageous to license these standby trucks and greatly diminish the production and earnings of these businessmen.

FOREST PRODUCTS TRUCKING COUNCIL POSITION ON HEAVY VEHICLE USE TAX

Log and pulpwood truckers, although already burdened with many and varied state and federal taxes, recognize and support the need for the repair and maintenance of our nation's highways and bridges. The five cent increase in fuel taxes called for in the Surface Transportation Assistance Act of 1982, while a significant additional tax burden, is acceptable because it is a "pay as you go" tax and can be "passed through" to the log purchaser.

The increase on large combination trucks from $240 to $1,900 in the heavy vehicle use tax legislated in the 1982 STAA, however, represents a "property tax" which discriminates against pulpwood and log truckers, whose annual mileage on our nation's highways is much less than that of truckers engaged in long hauls. The FPTC urges that the current heavy vehicle use tax be replaced with an additional increase in the diesel fuel tax. This is an alternative that will not only work but will be fair to all truckers because it is a "pay as you go" tax. FPTC favors this approach, which is embodied in H.R. 2124 (Frenzel, R-MN) and S. 1475 (Wallop, R-WY). Specifically, these bills replace the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel.

FPTC feels the diesel differential plan is an equitable and excellent alternative to the heavy vehicle use tax because:

1. The diesel differential plan can be structured to be revenue-neutral, providing D.O.T. with essentially the same revenue for highway and bridge maintenance and repair as will be collected under the heavy vehicle use tax provisions of the STAA of 1982.
2. From the Treasury Department standpoint, and for reasons of taxpayer equity, FPTC feels the collection of a diesel fuel tax is less complex, less costly to administer, and very difficult to evade. In fact, the system to collect fuel taxes is already set up and in operation.
3. A tax on diesel fuel is more equitable because it relates proportionately to a truck's impact on highways and bridges. It is also easier or truckers to understand, allocate in their cost-accounting systems, and pass through to customers.
4. An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional (or spare) trucks for peak periods of demand. The heavy vehicle use tax will substantially cut down the number of log trucks licensed and available for peak periods of demand.

There seems to be some indication that D.O.T. and other Administration officials feel the 1982 STAA concessions granted on truck weight, width, and use of double trailers will allow truckers the opportunity to offset or recoup a major percentage of the heavy vehicle use tax. While this may be applicable for some segments of the trucking industry, it is certainly not true for the pulpwood and log trucking segment. Most of our members operate in states where the 80,000 pound limit was already in effect. The new 102-inch maximum width won't increase our payloads, and the opportunity to use double trailers is almost nonexistent, because we haul mostly over rural or county roads where they are still generally prohibited.

The FPTC feels that replacing the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel is an alternative that meets the tests of simplicity, ease of collection, and economy of administration. For these reasons, the FPTC, on behalf of its individual pulpwood and log trucking members, asks that serious and prompt consideration be given to replacing the heavy vehicle use tax provisions of the STAA of 1982 with a more equitable "pay as you go" diesel fuel tax.

Mr. GIBBONS. Last, but certainly not least, is Mr. Berg of the Farm Bureau.

STATEMENT OF GEORGE L. BERG, JR., ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION

Mr. BERG. Thank you, Mr. Chairman.

My name is George Berg, and I represent the American Farm Bureau, the Nation's largest general farm organization with a membership of 3.3 million farmers in 48 States and Puerto Rico.

We appreciate the opportunity to comment on the alternatives to the tax on the use of heavy trucks.

When Congress set out in late 1982 to enact legislation raising revenue to rebuild the Nation's highway system, the consensus was the highway users most responsible for road deterioration should bear the brunt of reconstruction costs. Based upon a U.S. Department of Transportation cost allocation study, heavy trucks, particularly combination vehicles over 70,000 pounds, were not paying fuel taxes and user fees proportionate to the highway damage DOT estimated they caused.

As a result, the Congress passed the Surface Transportation Assistance Act of 1982. This act made many changes in Federal legislation for highways and mass transit. Most importantly, it increased funding to rebuild the Nation's wornout transportation facilities. The legislation changed the fees that highway users paid into the highway trust fund. It changed the way the fund is administered. It changed to some degree almost all Federal aid authorized for roads and transit.

This new law also directed the Department of Transportation to conduct a study of alternatives to the tax on the use of heavy trucks. As you know, under the Surface Transportation Assistance Act, an individual truck owner will have his heavy truck use tax increased by 800 percent, from the present maximum of $240 per year to $1,900 per year by 1988.

The law provides that heavy trucks traveling less than 5,000 miles annually are exempt from the tax. In agriculture, however, very few heavy trucks now travel less than 5,000 miles annually. Grain elevator bankruptcies and railroad abandonments in many parts of the country have forced a large number of farmers to exceed the 5,000 mile limitation.

In commenting upon railroad abandonment, the ICC in 1981 and 1982 considered and approved 330 cases of railroad abandonment for a total of 8,726 miles. In our statement before the Senate Finance Committee on February 9, we stated that the Farm Bureau favors complete elimination of the Federal highway use tax on farmer-owned, farmer-used trucks.

During the 65th annual meeting in January, the voting delegates of the Farm Bureau adopted the following highway policy. We favor elimination of the Federal highway use tax on farm trucks. Until such action is taken, we will support legislation raising the exemption for trucks from the Federal highway use tax from 5,000 to 15,000 miles.

If passage of the increased mileage exemption cannot be achieved in 1984, we will support up to an additional 5 cents tax per gallon on diesel fuel to substantially reduce or replace the heavy vehicle use tax, provided that off-highway tax is exempt and refundable. We will oppose any plan which will substantially shift the burden of truck taxes from the heavy trucks to the light trucks.

In the 96th Congress, the Farm Bureau supported legislation introduced by Senator Dole of Kansas to exempt farm trucks from the highway use tax. The Senate adopted this bill, S. 396, as an amendment to the Revenue Act of 1978, but the provision was dropped in conference. A similar proposal, H.R. 259, has been introduced in this Congress by Representative James Quillen.

H.R. 259 would exempt vehicles used for farming purposes from the highway use tax. We urge enactment of this legislation, Mr. Chairman. Until such action is taken by the Congress, we will accept the Department of Transportation's option 4 with minor modifications.

We would favor a plan which combines a 5-percent increase in the diesel fuel tax with a substantial reduction in the heavy truck use tax. We understand under option 4 the reduced use tax would be graduated for trucks beginning at 55,000 pounds up to 80,000 pounds gross vehicle weight with a maximum of $650 at the highest weight, but that the diesel differential would be 6 cents.

We will support option 4 provided the 5,000,-mile exemption in the present law is increased to 10,000 miles annually, and the diesel differential is held at 5 cents. We strongly believe a 5,000-mile increase in the exemption we are asking for will enhance the administration's objectivity of equity under STAA. A farmer traveling 10,000 miles annually should not be expected to pay the same road use tax as a transcontinental trucker traveling 155,000 miles annually. Likewise, we do not believe a 10,000-mile exemption will impact to any great extent on the annual estimated heavy vehicle use tax revenue. When a farmer increases his annual mileage, his fuel consumption will also increase, as well as his fuel taxes.

Another inequity in the STAA of concern to farmers is the fact that all heavy trucks over 33,000 pounds will pay the same road use tax for their respective weight class. The key factor in determining the impact of the STAA is annual mileage.

The length of haul and the number of trips per year determines the amount of fuel used. Trucks with high annual mileage will pay more fuel taxes but will be able to spread the burden of the road use tax over longer hauls. This spreading effect, however, does not benefit farmers. In most cases, farm truck use usually involves an empty front haul or back haul, although low mileage trucks will pay less fuel taxes. Under STAA they will pay higher per mile on road use taxes, which is inequitable.

Again, Mr. Chairman, we appreciate the opportunity to express our comments and concerns.

[The prepared statement follows:]

STATEMENT OF GEORGE L. BERG, JR., ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION

Farm Bureau appreciates the opportunity to comment on the alternatives to the tax on the use of heavy trucks. The American Farm Bureau is the nation's largest general farm organization with a membership of 3.3 million member familes in 48 states and Puerto Rico.

When Congress set out in late 1982 to enact legislation raising revenue to rebuild the nation's highway system, the consensus was that those highway users most responsible for road deterioration should bear the brunt of reconstruction costs. Based on a U.S. Department of Transportaion cost allocation study, heavy trucks (particularly, combination vehicles over 70,000 pounds GVW) were not paying fuel taxes and user fees proportionate to the highway damage DOT estimated they caused.

As a result, Congress passed the Surface Transportation Assistance Act of 1982 (STAA). This act made many changes in federal legislation for highways and mass transit. Most importantly, it increased funding to rebuild the nation's worn-out transportation facilities. The legislation changed the fees that highway users pay into the Highway Trust Fund. It changed the way the fund is administered. It changed to some degree almost all federal aid authorized for roads and transit.

This new law also directed the Department of Transportation to conduct a study of alternatives to the tax on use of heavy trucks. As you know, under the Surface Transportation Assistance Act (STAA), an individual truck owner will have his heavy truck use tax increased by 800 percent, from the present maximum of $240 per year to $1,900 per year by 1988. The law does provide that heavy trucks traveling less than 5,000 miles annually are exempt from the tax. In agriculture, however, very few heavy trucks now travel less than 5,000 miles annually. Grain elevator bankrupticies and railroad abandonments in many parts of the country have forced a large number of farmers to exceed the 5,000 mile limitation. This new tax will become effective July 1, 1984, unless modified by Congress.

In our statement before the Senate Finance Committee on February 9, we stated that Farm Bureau favors the complete elimination of the federal highway use tax on farmer-owned, farmer-used trucks.

During the 65th Annual Meeting in January, the voting delegates of the American Farm Bureau Federation adopted the following highway and truck policy:

"We favor elimination of the federal highway use tax on farm trucks. Until such action is taken, we will support legislation raising the exemption for trucks from the federal highway use tax from 5,000 to 15,000 miles. If passage of the increased mileage exemption cannot be achieved in 1984, we will support up to an additional 5 cent tax per gallon on diesel fuel to substantially reduce or replace the heavy vehicle use tax, providing that off-highway use is exempt or refundable. We will oppose any plan which would substantially shift the burden of truck taxes from heavy trucks to light trucks."

In the 96th Congress, Farm Bureau supported legislation introduced by Senator Dole of Kansas to exempt farm trucks from the highway use tax. The Senate adopted the bill (S. 396) as an amendment to the Revenue Act of 1978, but the provision was dropped in conference. A similar proposal, H.R. 259, has been introduced in this Congress by Representative James Quillen (R-TN). H.R. 259 would exempt vehicles used for farming purposes from the highway use tax. We urge enactment of this legislation.

Mr. Chairman, until such action is taken by the Congress, we will accept the Department of Transportation's option four with minor modifications. We would favor a plan which combines a 5-cent increase in the diesel fuel tax with a substantial reduction in the heavy truck use tax. We understand that under option four the reduced use tax will be graduated for trucks beginning at 55,000 pounds up to 80,000 pounds gross vehicle weight, with a maximum of $650 at the highest weight; but the diesel differential would be 6 cents. We will support option four provided the 5,000 mile exemption in the present law is increased to 10,000 miles annually, and the diesel differential is increased to 5 cents.

We strongly believe the 5,000-mile increase in the exemption we are asking for will enhance the Administration's objective of equity under STAA. A farmer traveling 10,000 miles annually should not be expected to pay the same road use tax as a transcontinental trucker traveling 150,000 miles annually. Likewise, we do not believe a 10,000 mile exemption will impact to any great extent on the annual estimated heavy vehicle use tax revenue. Whenever a farmer increases his annual mileage, his fuel consumption will also increase as well as his fuel taxes.

Another inequity in the STAA of concern to farmers is the fact that all heavy trucks (over 33,000 pounds) will pay the same road use tax for their respective weight class. The key factor in determining the impact of the STAA is annual mileage. The length of haul and number of trips per year determines the amount of fuel used. Trucks with high annual mileage will pay more fuel taxes, but will be able to spread the burden of the road use tax on longer hauls.

This spreading effect, however, does not benefit farmers. In most cases, farm truck use usually involves an empty front haul or back haul. Although low mileage trucks will pay less fuel taxes, under STAA, they will pay higher per-mile on road use taxes which is inequitable.

On behalf of the American Farm Bureau Federation, we thank you and the members of your Committee for your continued interest and support for agriculture and the individual farmer and the individual rancher as you move to restructure the heavy vehicle use tax.

Mr. GIBBONS. Thank you very much.

Mr. Zegar, what in the world do your people use over 80,000-pound trucks for?

Mr. ZEGAR. Some of our members in more rural areas with long distances to travel will take advantage of these larger trucks.

Mr. GIBBONS. These are over 80,000-pound trucks now?

Mr. ZEGAR. Yes. In other instances, some of the wholesalers may service larger chains, so they will use these larger trucks. But they represent a very small percentage of our members fleet of trucks. The majority is that 55,000 to 80,000 pound range.

Mr. GIBBONS. I frankly do not favor cutting off the flat DOT 4 at 80,000. I think that those that are over 80,000—I would escalate the tax way up on those. Those are the ones that are tearing up the road. We have never built roads for that kind of truck. They are ripping our roads apart because they do not take into consideration these over-80,000's.

This completes our hearing. There are a couple of statements for the record. We have one from Mr. Ball from the Florida Gift Fruit Association, and one from Mr. Friedlander, the executive vice president of the National Tire Dealers and Retreaders Association.

The meeting is adjourned.

[Whereupon, at 1:55 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

BREWTON, ALA., *February 17, 1984.*

Chairman DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

CHAIRMAN ROSTENKOWSKI: I would like to express my support of S. 1475 and H.R. 2124 as an alternative to the Heavy Vehicle Use Tax. I request that this letter be made a part of the official hearing record.

I recognize and support the need for the repair and maintenance of our nation's highways and bridges. However, I feel the diesel differential plan is a more equitable alternative to fund these repairs than the current Heavy Vehicle Use Tax.

1. The diesel differential plan will provide approximately the same revenue for the needed maintenance of our highways and bridges as will be collected under the Heavy Vehicle Use Tax provisions of the STAA of 1982.
2. The collection of a diesel fuel tax is less complex, less costly to administer and more difficult to evade, since the system to collect fuel taxes is already in operation.
3. The alternative is more equitable because it relates proportionately to a truck's impact on our highways and bridges.
4. An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional trucks during periods of peak demand. The Heavy Vehicle Use Tax will substantially lower the number of trucks available for peak demand periods, thus diminishing the production and earnings of these businesses.

For these reasons, I urge that consideration be given to replacing the Heavy Vehicle Use Tax provisions of the STAA of 1982 with a more equitable system as defined in H.R. 2124 and S. 1475.

Sincerely,

GORDON AHRENS.

Letters identical to the above were also received from:

C. Fred Austin, General Manager, Fernandina Timber Division, Container Corp. of America.
Thomas G. Harris, Vice President, Timber Division, Container Corp. of America.
Billy Howell, Brewton, Ala.
Robert Johnson, Atmore, Ala.
J. D. Kauffman, Brewton, Ala.
Wayne King, Fort Deposit, Ala.
Joel McDanal, Andalusia, Ala.
Ken Simmons, Monroeville, Ala.
Sam Winters, Greenville, Ala.
Greg York, Andalusia, Ala.

ALABAMA FORESTRY ASSOCIATION, INC.,
Montgomery, Ala., February 10, 1984.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: Previous commitments prevent my attendance for hearings on H.R. 2124 on February 23. May I request that your records reflect the support of this Association for H.R. 2124.

The Alabama Forestry Association represents about 2,000 forest landowners and industry representatives who will be very much affected by this legislation. Our members are in full support of the diesel differential provided in the aforementioned legislation.

Sincerely,

J. HILTON WATSON,
Executive Vice President.

STATEMENT OF THOMAS A. CALLAGHAN, JR., EXECUTIVE DIRECTOR, ALLIANCE FOR SIMPLE, EQUITABLE AND RATIONAL TRUCK TAXATION

The Alliance for Simple, Equitable and Rational Truck Taxation (ASERTT) appreciates this opportunity to present its views for inclusion in the record of hearings held by the House Ways and Means Committee on truck taxation.

ASERTT is an organization of trucking companies, truck leasing companies and suppliers to the trucking industry who are concerned about the escalating trend in truck taxation occurring at both the state and federal level. Amongst carriers and leasing companies, major contributing companies to ASERTT include Leaseway Transportation, Cleveland, Ohio; Lend Lease Transportation Company, Minneapolis, Minnesota; Rolling Leasing Corporation, Wilmington, Delaware; Ryder System, Inc., Miami, Florida; and Whiteford Truck Line, Inc., South Bend, Indiana. Amongst suppliers to the trucking industry, major contributing companies to ASERTT include Cummins Engine Company, Columbus, Indiana; Dana Corporation, Cleveland, Ohio; Freightliner Corporation, Portland, Oregon; General Motors Corporation, Detroit, Michigan; Michelin Tire Corporation, Lake Success, New York: PACCAR, Inc., Bellevue, Washington; and Rockwell International Corporation, Pittsburgh, Pennsylvania.

Companies contributing to ASERTT share the view that the present regimen of licensing and taxing motor carriers of property at both the state and federal level is neither simple, equitable nor rational. Furthermore, these companies feel that the current trend in truck taxation at both the state and federal level threatens the viability of important segments of the industry and distorts the competitive balance between the modes. For these reasons, ASERTT believes that a serious reassessment of both the way the various levels of government tax motor carriers of property and the amount they pay is in order.

We recognize that the committee is mainly concerned with the question of whether or not to replace the heavy vehicle use tax contained in the Surface Transportation Assistance Act of 1982 with one of the various diesel differential proposals presently before it. While we are unable to offer the Committee guidance on this question, we would like to direct the Committee's attention to the longer term nature of the highway finance problem and the taxation of those who make their living transporting freight over the highways. It is our intention in this submission to raise some questions on the truck tax problem and suggest a forum in which they might be addressed.

I. STATEMENT OF THE PROBLEM

In its largest sense but also in the very simplest sense what Congress, the Executive Branch and the various States have before them is the question of what to do about a national resource that is wearing out.

There has been no shortage of literature documenting and deploring the decay of our infrastructure. The figures that get bandied about in this exercise are simply outside the framework of reference of all but the most experienced infrastructure groupies.

While the figures vary depending upon the source, there is nearly unanimous agreement that our bridges and highways need massive infusions of capital and, no matter how expensive the job, we can't afford to not do it.

II. QUESTIONS PRESENTED

The questions that should be addressed, if the financing of our highway system and the taxation of highway users is to make any long term sense, involve who should pay, how much they should pay, how should funds be collected and who should decide. Contained within these questions are the big issues of user fees and subsidies; Federal pre-emption and States rights. Also present are more subtle issues involving fairness amongst vehicle classes, the reliability of a Federal study allocating costs amongst highway users and the maintenance of a fair competitive balance between the modes.

Allow us to set forth some of the questions that policy makers might address in order to make sensible long term decisions about highway finance.

A. User fees

In testimony before the Senate Finance Committee, Secretary of Transportation Elizabeth H. Dole stated, "We believe that those who benefit from government-provided services should pay their costs to the maximum extent possible."

At first blush this statement seems to articulate sound government policy. In an ideal world user fees make a great deal of sense. They make less sense when they are not applied consistently and when there is no underlying government policy that determines when one group should pay user fees and another should receive subsidies. Also, they make less sense when, as is the case with highway user fees, certain groups like the bus industry, State and local governments, taxis and users of certain fuels are exempted from paying them and the mass transit industry receives a direct subsidy from those who do. They make less sense when a group that pays them, like motor carriers, competes directly with a group that has been the recipient of subsidies, like railroads. Finally, they make less sense when, as is the case with the highway system, the particular project to be financed has national defense attributes and clearly benefits all parties by binding the country together and establishing a network over which commerce can be conducted.

B. State and Federal roles

Presently our Federal aid higway system is the product of a State and Federal partnership. On paper or at a meeting of State highway officials it sounds wonderful. In the real world of the long haul trucker, it's another matter.

The problem is money—both in the dollar amount of checks written to the fifty States and Federal government and the cost of complying with fifty-one different methods of collection. The problem is being felt most acutely by the long haul truckload carrier who competes directly with rail and who, because of the number of States he traverses, feels the cumulative effect of the lack of uniformity in State taxing systems.

The problem has not gone unnoticed by industry officials, the trade press or the Congress. In testimony before the House Ways and Means Committee on February 23, 1984, ATA President Bennett C. Whitlock, Jr., testified that State and Federal taxes are the fastest growing expense item faced by the trucking industry. In the August 29, 1983 issued of Traffic World magazine, rail industry figures predicted the demise of the long haul trucker partly because of "increased user fees with more to come." Congress was sufficiently impressed with the difficulties faced by the interstate trucker in seeking to comply with fifty different licensing and taxing systems that it required, in Section 19 of the Motor Carrier Act of 1980, that the Department of Transportation study the matter. While the study has been completed and a modest legislative proposal submitted, the problem remains.

What the truckers are confronted with is a state-imposed system of licensing, registering and taxing that was appropriate for the way the industry looked thirty years ago. At that time, truckers competed mostly against each other in statewide or regional markets. Now with regulatory reform, many individual companies travel to all continental states competing against other motor carriers and carriers of other modes while they serve customers competing in world markets. The industry has matured, but the system of licensing, registering and taxing its members has not.

Essentially the question to be addressed is how do we view our highway system? Is it a national system or fifty state systems? How much duplication of effort and inefficiency must the industry endure before federal interests in encouraging the free flow of commerce and fair competition between the modes prevail over state interests in selecting revenue raising devices suitable to local needs?

C. The Federal highway cost allocation study

Since the creation of the Highway Trust Fund in 1956, there have been two federal studies conducted on the question of how to allocate costs amongst the various classes of highway users. The first study completed in 1965 employed what is known as the "incremental" approach. The second, completed in 1982, employed what is known as the "consumption" approach.

The change in approach, or methodology, has had enormous consequences for the trucking industry. The 1982 study applying the new methodology found that the heaviest trucks (those most directly competitive with rail) were paying far less than their fair share of highway costs. The 1982 study became the foundation upon which the Surface Transportation Assistance Act of 1982 rested.

The 1982 study was mandated by the Surface Transportation Assistance Act of 1978. That legislation did not direct DOT to employ any particular methodology or approach. The mandating legislation did require that the Department of Transportation act in concert with the Congressional Budget Office, but it did not direct any departure from the methodology employed in the 1965 study.

The industry is presently saddled with a cost allocation study that carries with it tremendous economic consequences. The study was done pursuant to a methodology not directed by the Congress and about which serious reservations have been presented. The question to be addressed is whether Congress should passively accept this undirected departure from prior practice or whether it should take a more active role in investigating industry concerns and directing cost allocation study procedure and methodology.

III. FORUM FOR RESOLUTION

The last time the Congress made major policy decisions about financing the highway system and taxing motor carriers was in the lame duck session of the last Congress. Now, some of that work is being redone also in a highly compacted timeframe.

The problems of highway finance and the taxation of highway users deserve a more thorough hearing. With all due respect to the Congressional hearing process, the environment is simply not conducive to the exploration of major policy questions.

The present taxes funding the Highway Trust Fund expire October 1, 1988. Highway authorizations have been made through fiscal year 1986. What is needed is a pause in the process. What is needed is an opportunity for the industry, policymakers and all interested parties to take a look at where we've been in hopes of getting a better idea as to where we are going.

There is a bill before the Congress that would go a long way towards providing a forum for the exploration of some of these basic questions. The bill is H.R. 3612. It calls for the creation of a National Trucking Industry Commission and charges the Commission with the duty of conducting a study and proposing legislation "designed to achieve a fair, equitable and uniform system of taxation of the trucking industry by the States." The Commission's mandate could be broadened to enable it to work to recommend legislation that would achieve fairness and equity in the taxation of motor carriers by all levels of government. A copy of H.R. 3612 is attached. [The bill has been retained in the committee files.]

CONCLUSION

We think that the time has come for a serious reassessment of the way we finance our highway system and tax those who make a living transporting freight over it. We would urge that whatever the Congress does with respect to the heavy vehicle use tax and diesel differential proposals presently before it, that it establish a National Trucking Industry Commission as contemplated by H.R. 3612 so that it can have the benefit of that body's findings before truck tax and highway finance issues must be revisited.

American Movers Conference,
Arlington, Va., February 22, 1984.

Hon. Dan Rostenkowski,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: I would like to submit for the hearing record on alternative truck taxes, a statement attesting to American Movers Conference support for replacing the federal highway use tax on trucks with a pay-as-you-go alternative such as the diesel differential mandated by H.R. 2124.

The American Movers Conference (AMC), one of twelve conferences affiliated with the American Trucking Associations, Inc., is the national organization of the household goods moving industry. Our membership, comprised of over 1,000 motor carriers and independent agent moving companies, transport more than 90% of all interests household goods shipment.

Our members are encouraged by the broad support that has been generated in Congress for repeal of the onerous Surface Transportation Assistance Act use taxes and trust that an equitable solution to a very serious tax problem can be found soon.

STAA tax increases would be extremely burdensome for the predominately small business entities that make up the moving industry. AMC member carriers have in their moving systems more than 5,000 agent moving companies and 25,000 independent contractor vehicle operators. It is these small businesses that own, and are ultimately liable for the tax on, most of the single-unit trucks and heavier combination vehicles used to ship household goods locally and long-distance. Moving is also very seasonal and the volume is dependent on the general economic conditions, particularly the state of the real estate market. Since there is an imbalance of equipment in use at times, a pay-as-you-go user tax is more equitable for movers than a highway use tax.

Members of the trucking industry, shippers and other industries impacted by the STAA taxes, have expressed broad support for repealing the heavy use tax and replacing it with a 5¢ tax on diesel fuel, applicable only to trucks. This approach is embodied in H.R. 2124, introduced last year. However, because of a delay in considering the bill, some have suggested that H.R. 2124 must be amended to provide sufficient revenues to meet the authorizations provided by the STAA. This has been referred to as keeping the bill "revenue neutral," and we are told that the Joint Committee on Taxation will calculate the revenue estimates. While we have no quarrel with the Joint Committee on Taxation, we do recognize that tax estimates frequently vary considerably from the real world because of business conditions, technical breakthroughs, fuel and energy prices, etc. Therefore, we urge the Congress to recognize that the revenue estimates are just that—estimates.

In reaching conclusions on levels of appropriate alternative taxes, we would also caution Congress to remain aware of the need to consider the tax impact on all truck sizes. To illustrate that point, the Secretary of Transportation has recommended the alternative (DOT 4) which would provide a 6¢ diesel differential, plus a use tax of $50 and $24/1000 above 55,000 lbs. ($650 maximum). Here are some of the impacts of the DOT proposal on the lighter equipment used by movers:

Assuming a 6¢ diesel differential plus a graduated use tax of $650 above 55,000 lbs.

A 55,000 lb. moving van would pay 7% more ($104) than under the final STAA taxes.

A 45,000 lb. moving van would pay 12% more ($124) than under the final STAA taxes.

A 30,000 lb. straight van would pay 67% more ($253) than under the final STAA taxes.

Obviously, an alternative that would add use tax to a diesel differential for these lighter vehicles would have a negative impact.

In summary, our members support H.R. 2124 and hope that the 5¢ diesel differential will produce adequate tax revenues in the future, as the economy continues to improve and if the DOT finalizes the designated highway system quickly so that the industry is allowed to operate the more productive equipment encouraged by the STAA. If, however, Congress' decision is to combine a diesel differential with a use tax, we urge that the diesel tax be held to 5¢ and that any use tax be imposed only on vehicles over 55,000 lbs.

Respectfully submitted,

Charles C. Irions, *President.*

STATEMENT OF ARTHUR T. IRWIN, CHAIRMAN, AMERICAN TRUCK DEALERS DIVISION, NATIONAL AUTOMOBILE DEALERS ASSOCIATION

Mr. Chairman and members of the Committee, these comments present the views of the American Truck Dealers (ATD), a division of the National Automobile Dealers Association (NADA). NADA represents approximately 18,000 franchised dealers nationwide. Over 1,600 truck dealers comprise the ATD division.

We strongly support the implementation of alternatives to the heavy truck taxes brought about by the Surface Transportation Act of 1982. The present system of taxation, which includes an excise tax on heavy vehicles, as well as, increased annual use tax payments; is excessive, inequitable, and does not directly tie tax payments to actual highway use.

While we support efforts to find alternatives to the proposed increases in the Federal Highway Use Taxes (FHUT), it concerns us that more emphasis has not been placed on addressing alternatives to the excise tax on trucks. It is the intent of Congress and the Department of Transportation to create a more equitable and use related tax structure. The excise tax is contrary to that purpose and should be eliminated.

While a short-term solution that quickly addresses the problem of the FHUT is needed, we emphasize that the entire structure of truck taxes needs to be changed to become more equitable and use related. Such adjustments to truck taxes should be made as soon as possible, and the elimination of excise taxes should be given top priority when this occurs.

Thank you for consideration of our views.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 1, 1984.

Mr. JOHN J. SALMON,
Chief Counsel, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR JOHN: I would appreciate the inclusion of the attached statement in the official record of the hearings before the Ways and Means Committee dealing with the revisions of the Surface Transportation Assistance Act of 1982 and H.R. 2124, held February 23, 1984.

Very truly yours,

ROBERT T. MATSUI,
Member of Congress.

Enclosure.

STATEMENT OF EDWARD EHLERS, EXECUTIVE DIRECTOR, ASSOCIATED CALIFORNIA LOGGERS

Mr. Chairman, Members of the Committee, I am Edward Ehlers, Executive Director of Associated California Loggers. We are an association of family-owned logging businesses in California who operate more than $300,000,000 worth of logging equipment. We have 550 members of which about 375 operate logging trucks. I am also here as a member of the Western Logging Council which is made up of the logging associations in the states of Alaska, Idaho, Montana, Washington, Oregon and California.

The subject before you is of great importance to us because the recession and its effects have not disappeared for logging—at least not in our part of the country. While we look for more work during the 1984 season it does not appear there will be substantial recovery when we look at lumber prices compared to the cost of logging and milling. Breaking even this year will be a real challenge and as a result cost control is the order of the day in the logging business.

There are two things about the Surface Transportation Assistance Act of 1982 that are particularly troublesome to us. One is large upfront costs such as the use tax and the other is the matter of equity so we pay only our fair share. The impending use tax discriminates against us to such an extent that it is clearly unbearable.

Generally, we operate between 120 and 160 days each season and drive only 40-50,000 miles per year during that season. Many of our trucks are not even registered for one quarter of the year and special insurance programs reduce coverage and premium while the trucks sit idle during the off season.

You should also note that we run empty one-way and will not be able to run the longer, wider rigs permitted by the Act.

A lot of our mileage is over tributary roads which are funded outside the federal highway support system. Mileage on the interstate system itself is limited. The sum of all this is that an across-the-board fee causes us to pay more than our fair share and a pay-as-you-go system would be better for us not only from the standpoint of fairness but in terms of avoiding the high upfront costs which are so difficult to meet, particularly when they come before the season gets underway and a cash flow has been established.

I would like to mention that the same principles apply to the increase in the rubber tax which has already become effective. The roads we use and the conditions under which we operate result in a logging truck (18 wheels) using from 2-5 sets of tires a year during the 40-50,000 miles of travel. The net result is that we are paying more rubber tax per mile driven than others affected by the 1982 Act.

A partial solution to the inequity which currently befalls us in Congressional action on bills similar to HR 2124 or S 1475 that would convert the current use tax to a fuel tax with as small an upfront fee as is possible. I understand there is a disagreement between the Department of Transportation and others as to how much money was to be raised by the '82 Act. We would agree with those who argue that the revenue developed should only equal that necessary to fund the spending provided by Congress for the Act.

The current economic status of our industry argues that the Congress should be miserly in setting the fuel tax rate which we hope will be substituted for the use fee. Let me suggest that something like the Department of Transportation's alternative No. 2 is a good place to start with the tax rate being set at 5 cents a gallon and perhaps a trigger feature built into the bill so if that rate is not producing the proper level of revenue, another penny or two could be added. Along with this of course should be a cap so that if revenues start to exceed those appropriate to the '82 Act the triggered amounts would cease to be collected.

Again I ask that the Congress be miserly in setting the fuel tax rate and any upfront fee. In California at least we must still deal with additional funding for our local roads and therefore will need to have some affordability left for that purpose.

Thank you for your consideration of our special situation and needs.

[The Chairman ordered that the following be entered into the record:]

CANADIAN EMBASSY,
Washington, D.C., February 22, 1984.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, Washington, D.C.

DEAR MR. ROSTENKOWSKI: In advance of the House Ways and Means Committee's hearing on February 23, 1984 on the heavy vehicle use tax, I thought it might be useful to provide you, for the record of the hearing, with the views of the Canadian Government on this question.

As you may know, Canadian carriers based in provinces with prorate registration systems, and involved in transborder traffic, are liable for the current heavy vehicle use tax of $240 per year, despite using U.S. roads on a part-time basis only. A substantial increase in the tax, if it is not modified to accommodate the special circumstances of these Canadian carriers, would cause particular difficulties for them. (It should be noted that U.S.A. carriers involved in transborder traffic would face some of the same problems as Canadian carriers.) In addition, full liability for the tax would seriously inhibit the flexibility of Canadian fleets engaged in international commerce by forcing them to earmark vehicles for cross-border carriage in order to reduce an otherwise onerous tax load. Furthermore, such a situation would likely undermine participation of Canadian jurisdictions in the International Registration Plan and other reciprocal agreements from which both countries have benefited.

This problem is noted in the Department of Transportation's study of alternatives to the use tax. In dealing with it, you might wish to consider prorating the payment of any use tax by international carriers operating from both of our countries on the basis of the proportion of total fleet miles travelled on U.S. roads. Should this idea be attractive to you, the responsible Canadian authorities would be quite happy to discuss with the appropriate United States agencies means by which the collection of a prorated use tax might be simplified. The prorating proposal is favoured by the Canadian trucking industry and has been strongly supported by the American Association of Motor Vehicle Administrators. It would serve to maintain equity for international carriers and permit them to maintain full fleet flexibility in the transborder carriage of goods. Complete replacement of the use tax by a diesel differential tax would, of course, entirely resolve the problem for international carriers.

I am sure that you share my concern for the preservation of an efficient and competitive international trucking industry as a vital component in our bilateral trade relationship. It is in this spirit that I am informing you of the special problems faced by international carriers based in Canada (and also in the United States) so that these problems are taken into account in preparing the legislation to modify the taxation provisions of the Surface Transportation Assistance Act.

Thank you for your attention.

Yours sincerely,

ALLAN GOTLIEB, *Ambassador.*

STATEMENT BY
CANADIAN TRUCKING ASSOCIATION
ON SURFACE TRANSPORTATION ASSISTANCE ACT IMPLEMENTATION
BEFORE THE
HOUSE COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1984

William H. Shawn, Esq.
1730 M Street, N.W.
Suite 501
Washington, D.C. 20036
(202) 296-2900

Counsel for Canadian Trucking
Association

I. INTRODUCTION

The Canadian Trucking Association (CTA) welcomes the opportunity to submit a written statement to the House Ways and Means Committee concerning a particular aspect of the Surface Transportation Assistance Act which is presently under review. Canadian Trucking Association is a federation of provincial and regional trucking associations across Canada fulfilling basically the same function as American Trucking Association does in the United States.

Many Canadian truckers enjoy the privilege of U.S. operating authority. The number of Canadian truckers operating in the United States has increased significantly since passage of the Motor Carrier Act of 1980. Similarly, several hundred U.S. truckers have operating authority into Canada. Canadian carriers entering the U.S. often travel long distances including those who haul produce from states such as Florida and California. The U.S. and Canada are each other's major trading partners and motor carriers represent the dominant mode of transport carrying international commerce between the two countries.

Over the last five years, CTA and the Canadian Government have been concerned with the impact of the federal highway use tax for Canadian vehicles entering the United States. Application of the lump sum use tax even at the $240 maximum was regarded as being unfair in the absence of a prorate provision because it reduced the flexibility in utilizing equipment.

Under the applicable IRS rules, not all Canadian international carriers were caught by the tax when they entered the U.S. because liability was determined by "deemed registration" in addition to use. Under certain state/province license reciprocity arrangements, Canadian vehicles were not deemed to be "registered. This led to a most confusing situation in the application of the law with IRS officers chasing up Canadian carriers in Canada claiming payment where, in some cases, the Canadian carrier hadn't even heard of the federal highway use tax. In other cases, carriers challenged liability. The position became so confused that at one point two or three years ago, the IRS in effect declared a moratorium on past claims and attempted to start over.

Previous efforts to negotiate a solution to the problem involving discussions between the Canadian Embassy and U.S. DOT resulted in no accommodation. DOT appeared to be concerned primarily with domestic ramifications involving U.S. carriers seeking similar accommodation on grounds that their segment of the industry only used the federal highway system infrequently. The IRS reaction was that prorate on the lump sum tax would only complicate their collection problem.

II. IMPACT OF STAA ON CANADIAN INTERNATIONAL CARRIERS

Passage of the STAA Act in December 1982 effectively turned concern into consternation for Canadian truckers when they contemplated an almost eight-fold increase in the heavy vehicle use tax rising eventually to $1,900 per vehicle. The 5,000 mile threshold exemption provision afforded negligible accommodation for any Canadian carrier with significant operations beyond border states. CTA therefore participated in the FHWA/IRS Alternative Heavy Truck Use Tax Study (FHWA Docket No. 83-8) by way of oral testimony and a final written submission. Concerns raised in that submission included the following:

(a) The anticipated increase in use tax as of July 1, 1984 or anything approaching that amount would be highly discriminatory to Canadian based fleets in particular (but for U.S. international carriers as well and especially those serving Alaska) and, therefore, represents a significant barrier to the conduct of international transportation.

(b) The impact of the heavy vehicle use tax at the levels contemplated in STAA without prorate would force Canadian carriers to segregate their fleets in an attempt to isolate vehicles used in international operations in order to amortize the cost as far as possible over dedicated vehicles.

(c) Application of the use tax without prorate would seriously interfere with the flexibility of Canadian fleets in order to meet unforeseen and seasonal peaks in demand.

(d) The failure to include prorate makes international carriers subject to implications of double taxation since the use tax, subject to the 5,000 mile threshold, is not related in any way to mileage generated in each taxing jurisdiction. In the absence of prorate the use tax constitutes a fundamental denial of longstanding reciprocity and prorate arrangements between states and provinces. This is handled for fuel tax based on reporting mileage in each jurisdiction (regardless of where the fuel is bought). In the case of licenses, accommodation is reached in most cases through a variety of reciprocity arrangements and agreements such as the International Registration Plan (IRP) in the U.S. and the Canadian Agreement on Vehicle Registration (CAVR) involving all Canadian provinces.

(e) The failure of one nation to uphold the concept of prorate not only results in double taxation of the international carriers involved, but also means that the country of origin is denied access to income tax revenue. In addition, there are foreign exchange implications which could have significant implications depending on the level of the use tax and as a result of the the importance of trucking to Canada/U.S. trade.

III. COMMENTS ON FHWA/IRS REPORT TO CONGRESS ON ALTERNATIVES TO TAX ON USE OF HEAVY VEHICLES

In its submission to the FHWA/IRS, CTA stressed that previous difficulties and the anticipated prejudice to international carriers could be avoided in one of two ways. If the tax was turned entirely into a use tax, such as the diesel differential tax alternative proposed by American Trucking Associations in H.R. 2124, then the legitimate concerns of international carriers and Canada would be met since a diesel tax automatically includes prorate. Failure to adopt the ATA recommendation in total, or some other distance-based formula, that would eliminate the use tax, required that international carriers receive prorate accommodation for the residual level of use tax.

Our evidence before the FHWA/IRS proceedings was to the effect that the machinery for prorating based on reporting mileage was already in place and tested. Indeed, these procedures for reporting mileage in each jurisdiction would of necessity be relied upon by the IRS as a check on Canadian carriers to see that they pay the appropriate diesel differential part of any compromise solution. The Canadian Government also made representations through the Embassy before the FHWA/IRS review and also with officials of U.S. DOT through the U.S./Canada Motor Carrier Consultative Arrangement. We understand from Canadian Government sources that the position of Canada and the provinces regarding the need for accommodation was thoroughly explained.

It was with considerable disappointment we found that the report to Congress by DOT dismissed the concerns of Canada and of international carriers almost out of hand (see Schedule A attached). Setting aside the complicating factor that certain Canadian operations have been exempt from the use tax depending on province of registration (and where it is within the power of the IRS or state tax collection administrations to make any change they deem appropriate) the report seems to endorse a compromise arrangement on an interim basis between diesel differential and a reduced use tax level from that proposed in STAA. In dealing with the Canadian prorate request, the report reaches two significant conclusions:

- That because domestic carriers claim their limited highway use justifies proration, inclusion of proration for international carriers would be "inequitable".
- That international proration would be administratively difficult because there is no mechanism to ensure that the proper amount of tax would be paid and there is no way to ensure fuel would be purchased in the United States to cover liability. On this ground a finding is made that the administrative difficulty of ensuring payment would be "prohibitive".

To deal first with the "equity" argument, there are undoubtedly segments of the U.S. motor carrier industry who utilize the federal highway system on a part-time basis. To raise that argument as a "political" impediment to providing international equity under normal accommodation arrangements between countries to avoid double taxation is, with respect, no answer. The same reasoning probably could be used in virtually any area involving international tax accommodation. Without the necessary accommodation between countries in the tax system, the potential for double taxation and unfair allocation of taxes to one country or the other with accompanying foreign exchange implications is of overriding importance. For that matter, failure to accommodate might constitute an unfair trade practice involving services.

From the standpoint of administration there are longstanding procedures between states and between countries for calculating tax liability based on mileage run in each jurisdiction. No such facility exists for recording or enforcing the prorate concept within a political jurisdiction (in this case the United States) with reference to mileage generated on a particular highway system. The only possible accommodation to meet the concern of domestic U.S. truckers who do not use the federal highway system on a regular basis is through the rather arbitrary threshold accommodation which will be of minimal value to Canadian carriers.

With respect to the alleged "prohibitive" administrative problem in collecting the tax on a prorate basis, we simply do not understand. CTA is not aware of any evidence in the proceedings to support that contention. If part of the tax is to be based on diesel differential, which incorporates automatic accommodation of prorate for miles run outside of the United States, the existing system for recording and reporting mileage in state and provincial jurisdictions is adequate for checking. Why wouldn't the same information be adequate to allow monitoring of prorate of use tax?

With respect to the purchase of fuel, if the IRS plans to rely only on that without mileage allocation data, then indeed there is an enforcement problem. That amounts to abdication of responsibility to enforce.

In that case, the only assurance the U.S. will collect a fair share of tax is that, thanks to Canada's National Energy Program and provincial ad valorem fuel taxes, fuel prices in Canada are at least 25% higher than prices available in the U.S. The diesel differential tax at the levels contemplated would not close that gap so, for the time being at least, there is no real advantage for Canadian truckers not to buy fuel in the U.S. except that they will have to pay tax to Canadian jurisdictions based on Canadian mileage regardless.

We believe that IRS concerns could be readily accommodated through cooperation with Canadian fuel tax administrators and the CAVR, to have these authorities assist in collecting and turning over comprehensive information on mileage run in the U.S. by Canadian based fleets. Indeed, it is our understanding that most provinces require U.S. miles to be recorded and said mileage reports are subject to audit by provincial taxation authorities. We have discussed this with federal officials and some provincial officials and it seems to be a reasonable proposition. CTA is prepared to support this approach in order to obtain prorate.

IV. CONCLUSIONS

We take no position on the level of tax to meet the equivalent requirements of the STAA. Nor do we take a position on how that tax should be collected other than to say that the diesel differential approach at an acceptable level would be the easiest and most straightforward solution for international carriers to achieve equitable treatment and avoid double taxation.

If Congress amends the STAA tax retaining a residual level of use tax, we urge that accepted practices appropriate to international tax accommodation be incorporated.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

William A Shalon

CANADIAN TRUCKING ASSOCIATION
ASSOCIATION CANADIENNE DU CAMIONNAGE

SCHEDULE A

International Operations

The implications of the tax options for international operations, whether of United States or Canadian origin merit recognition. The use tax increase under the STAA of 1982 exacerbated an issue between the two countries regarding the equitable payment of highway fees by international operators. The issue is twofold. First, certain Canadian operations are exemp. from the use tax, depending on the Province of registration, since bilateral State-Provincial reciprocity agreements do not require that they be registered in any State. Second, the government must determine the proper payment for highway use while operating in the United States.

It is the position of the Canadian Government (supported by the Canadian Conference of Motor Transport Administrators) that the part time use of United States highways by international operations, regardless of country of origin, warrants either a prorated use tax based on miles traveled or a diesel fuel tax differential. Domestic carriers similarly argue their limited highway use necessitates such a proration. Each of the promising options to the heavy truck use tax discussed in the prior sections reflects a more equitable basis for taxing international operations as they rely more heavily on a mileage factor to determine tax liability. This is particularly true of the weight-distance tax option. While reducing the use tax in combination with a diesel fuel tax differential would not completely satisfy the concerns of international operators, prorating the remaining use tax would be administratively difficult and inequitable. Relying solely on a diesel differential tax is also problematic. Not only will it reduce the significance of vehicle weight as a criteria for taxation, there is no mechanism to insure that the proper amount of tax paid fuel will be purchased in the United States to cover liability. In either case, the administrative difficulty of insuring payments would be prohibitive.

IUKA, MISS., *February 17, 1984.*

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: I am writing to urge your Committee's support of H.R. 2124. I believe the "Diesel Differential" provision of this Bill is a viable alternative to the Heavy Vehicle Use Tax. My company deals with a large number of pulpwood and log truckers who would be severely penalized under the current use tax because of their short distance, one-way operations with no loaded backhaul when the log truck returns from the mill to the forest.

Our truckers recognize and support the need for repair and maintenance of our nation's highways and bridges. They accept the increase in fuel taxes called for in the Surface Transportation Assistance Act of 1982 because it is a "pay as you go" tax and is fair to all truckers. They feel that replacing the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel is an alternative that meets the test to simplicity, ease of collection, and economy of operation. I respectfully request that your Committee give serious and prompt consideration to the alternatives embodied in H.R. 2124. I also request that this letter be made part of the official hearing record.

Thank you for your consideration.

Sincerely yours,

J. W. CARPENTER.

Letters identical to the above were also received from:
B. W. Gibbons, Savannah, Tenn.
Windell W. Vickery, Savannah, Tenn.

CONTAINER CORPORATION OF AMERICA,
Union City, Ga., March 7, 1984.

Chairman DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSTENKOWSKI: As general manager of the Wood Products Division of Container Corporation of America, I request that you support S. 1475 and H.R. 2124 as alternatives to the Heavy Vehicle Use Tax.

I fully recognize the need to maintain our nation's highways and bridges, but in my opinion the diesel differential tax is a more equitable approach than the current Heavy Vehicle Use Tax to fund these repairs. My reasoning is as follows:

1. An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional trucks during periods of peak demand. The Heavy Vehicle Use Tax will substantially lower the number of trucks available for peak demand periods, thus diminishing the production and earnings of these businesses.
2. The alternative is more equitable becaue it relates proportionately to a truck's impact on our highways and bridges.
3. The collection of a diesel fuel tax is less complex, less costly to administer, and more difficult to evade since the system to collect is already in operation.
4. The diesel differential plan does provide approximately the same revenue for the needed maintenance of our highways and bridges as will be collected under the Heavy Vehicle Use Tax provisions of the STAA of 1982.

Because of the aforementioned reasons, I again request that you support H.R. 2124 and S. 1475 rather than the Heavy Vehicle Use Tax.

I also request that this letter be made a part of the official hearing record.

Sincerely,

A. E. HARRIS.

CONTAINER CORPORATION OF AMERICA,
Chicago, Ill., February 21, 1984.

Chairman DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSTENKOWSKI: As Senior Vice President of the Timber Division of Container Corporation of America I request that you support S. 1475 and H.R. 2124 as alternatives to the Heavy Vehicle Use Tax, and that this letter be made a part of the official hearing record.

I am well aware of the need to repair and maintain our nation's highways and bridges, however, I feel the diesel differential plan is a more equitable alternative to fund these repairs than the current Heavy Vehicle Use Tax.

1. The diesel differential plan does provide approximately the same revenue for the needed maintenance of our highways and bridges as will be collected under the Heavy Vehicle Use Tax provisions of the STAA of 1982.
2. The collection of a diesel fuel tax is less complex, less costly to administer, and more difficult to evade since the system to collect is already in operation.
3. The alternative is more equitable because it relates proportionately to a truck's impact on our highways and bridges.
4. An additional tax on diesel fuel will not discourage pulpwood and log truckers from licensing additional trucks during periods of peak demand. The Heavy Vehicle Use Tax will substantially lower the number of trucks available for peak demand periods, thus diminishing the production and earnings of these businesses.

Therefore, I urge you to support replacement of the Heavy Vehicle Use Tax provisions of the STAA of 1982 with a more equitable system as defined in H.R. 2124 and S. 1475.

Thank you.

Sincerely,

GERHARD L. HEINEMANN.

DEALERS READY MIX CO.,
Highland Park, Ill., February 14, 1984.

Hon. DANIEL ROSTENKOWSKI,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: As a producer of Ready Mixed Concrete and a supplier of vital building materials, I am most pleased that your committee is holding hearings on H.R. 2124, in which a Diesel Differential is proposed as a substitute for the inequitable and burdensome Heavy Vehicle Use Tax.

When Congress passed the Surface Transportation Assistance Act of 1982 during a special session at the end of that year, it recognized that the Heavy Vehicle Use Tax was ill-conceived, inequitable, and in need of a study of alternative tax mechanisms by the Department of Transportation.

A Straight Diesel Differential, such as that proposed by H.R. 2124, provides an effective and equitable means of financing the costs of maintaining and improving the nations highway networks.

Such a tax would be easier to administer, minimize non-compliance, satisfy equity concerns (because it relates to both mileage and weight), and produce as much revenue as a "use" tax and return user funding of highway projects to a practical "pay-as-you-go" basis.

Since the ill-conceived Heavy Vehicle Use Tax is scheduled to take effect July 1, 1984 prompt action is imperative. I urge you to place financing of the nations highway network on a sound and equitable footing by supporting early passage of H.R. 2124.

Sincerely,

GORDON W. SHEAHEN, *General Manager.*

STATEMENT OF RICHARD C. DEVENNEY, CHAIRMAN OF THE BOARD, EASTERN INDUSTRIAL TRAFFIC LEAGUE, INC.

My name is Richard C. Devenney, and I am Chairman of the Board of Directors of the Eastern Industrial Traffic League, Inc. (EITL), an organization representing shippers in the Northeastern United States. The territory covered by membership in the EITL includes the New England and Middle Atlantic states, down to and including Virginia. Members of EITL operate private truck fleets, and some of them are also affiliated with for-hire motor carriers.

The heavy truck use tax that was imposed by the Surface Transportation Assistance Act of 1982 will, if it goes into effect, cause considerable economic problems for the trucking industry, and particularly for small carriers that are the mainstay of truckload freight operations. Owner-operators will be particularly affected.

In an attempt to obtain a more equitable treatment for truck taxes at the federal level, EITL has joined with other interested organizations in forming the Coalition for Equitable Truck Taxes. Rather than burden the record with additional comments, let me say that we share generally the concerns and positions set forth by other members of that group, although reserving the right to take independent action in the event those organizations later adopt a position contrary to the one we espouse.

In any event, it is absolutely certain that major changes need to be made so as to decrease the front loading features of the heavy truck use tax. H.R. 2124 and its companion measure, S. 1475, meet the basic objections which we have to the present tax in major part. I therefore want to express support for these measures on behalf of the League.

The Fertilizer Institute,
Washington, D.C., February 21, 1984.

Hon. Dan Rostenkowski,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: On behalf of the fertilizer industry, we respectful request that this letter be entered into the record as The Fertilizer Institute's (TFI) comments in regard to the House Ways and Means Committee's February 23, 1984, hearing on alternatives to the tax on the use of heavy trucks. TFI commends you for considering alternatives to this tax, mandated by the Surface Transportation Assistance Act and scheduled to go into effect July 1, 1984.

In analyzing the heavy use tax, we find that seasonal, relatively low mileage highway trucks such as those used for farming, and especially for fertilizer delivery and application, will be required to pay a user fee equal to over-the-road transport traveling thousands of miles a year. Thus, we support your efforts to redistribute the highway user tax burden and, at the same time, maintain revenue levels necessary for highway maintenance and bridge repair as outlined in the STAA.

We understand that the following proposals are under consideration:

A reduced heavy vehicle use tax for trucks weighing 55,000 pounds and above with a maximum tax of $650.

A 5.5 cent increase in the diesel tax with a 10,000 pound vehicle exemption.

A continuation of the 5,000 mile exemption, available under current law, with the possibility of increasing it to 10,000.

The Fertilizer Institute is pleased with the direction of these proposals. We support prompt legislative action that would eliminate inequities in the law for farm and fertilizer vehicles.

Sincerely,

Gary D. Myers, *President.*

Statement of Warren E. Savant, Executive Vice President, Florida Citrus Processors Association

The Florida Citrus Processors Association is a voluntary trade Association consisting of all 34 Florida firms which produce and ship citrus frozen concentrates, chilled and canned citrus products and by-products thereof.

This Association supports proposed legislation which would repeal the highway use tax on heavy trucks and increase the excise tax on diesel fuel used in heavy trucks to offset the per vehicle tax revenue loss.

This legislation is important to the Florida citrus industry due to the seasonal nature of our industry which results in trucks generally being utilized only during the citrus season. We believe this proposal is equitable to all interests in that it would retain equivalent total revenue, but the tax would be based on the use of diesel fuel, i.e., on highway miles traveled rather than on a flat tax on trucks.

Thank you for the opportunity to submit these remarks into the hearing record.

Statement of Joseph E. Ball, Associate Vice President, Florida Gift Fruit Shippers Association

My name is Joseph E. Ball, and I am Associate Vice President of Florida Gift Fruit Shippers Association, 521 N. Kirkman Road, Orlando, Florida 32811.

I received my Bachelor's Degree in Zoology from the University of Arkansas in 1964, and my Master's Degree in Personnel Administration from the Gerorge Washington University in 1969.

I served on active duty in the U.S. Navy for five years, and presently hold the grade of Commander, U.S. Naval Reserves. I served on the staff of the University of Florida for eleven years, and joined the Florida Gift Fruit Shippers Association in 1982. In June 1983, I was elected Associate Vice President and presently serve in that capacity.

My duties and responsibilities involve all aspects of transportation matters pertaining to gift fruit shipments. I work very closely with our own drivers and owner-operators who carry out gift fruit to post offices around the United States. My work has included development of charges and rates for pickup, hauling, line haul, delivery at destination, and other Association activites.

INTRODUCTION

The Florida Gift Fruit Shippers Association represents about 150 growers and shippers of Florida gift fruit citrus. This gift fruit citrus is shipped by our Association to over 42 drop points throughout the United States and Canada.

Citrus fruit has always been a family treat and a delicacy. The earliest groves of record were probably started in Florida in the 1800's, and with the advent of railroads in the 1960's, shipment of citrus became commercially feasible for the first time. In fact, the rapid growth of the citrus industry is probably very closely related to the growth of transportation in this Country. Agriculture and transportation have always been a close kinship. It is for this reason that Congress, in its wisdom, allows agricultural products to be shipped as an exempt commodity. We hope that Congress will continue to recognize the importance of transportation to agriculture.

The Florida Gift Fruit Shippers Association has a close relationship with the owner-operator. Last season, we placed 943 trucks on the road. Of these, only 6% were commercial carriers. The balance consisted of owner-operators and small fleet operators. Any legislation which has an advese effect upon the owner-operator or small fleet operator is of great concern to this settlement of Florida's citrus industry.

I would like to relate to you what the Florida gift fruit citrus industry is today and how this legislation will affect our members and other gift fruit shippers.

BACKGROUND

Florida Gift Fruit Citrus is a big industry. However, it consists of a lot of little people who ship their product to the consumer mainly by truck.

The Florida Gift Fruit Shippers Association represents about one hundred fifty members who are located from North Central Florida to South Florida and from coast to coast. Most members are small family businesses employing four to six people. Florida's citrus season generally runs from early November until late May, and most gift fruit shippers are only open during that time. Their product is fresh citrus fruit. It is not stored in cold storage, or by other methods, for long periods of time. It is simply picked, handled, and shipped to the consumer as rapidly as possible.

When citrus first began to develop as a Florida industry, it was shipped by boat. As railroads came into Florida, the industry grew and with the advent of the truck and the automobile, the gift fruit industry began to develop. For several years, gift fruit shippers used Railway Express to carry their fruit to their customers. However, Railway Express did not meet all the needs of the shipper and, as you know, Railway Express finally went out of existence. Faced with the problem of no suitable carrier, the Florida Gift Fruit Shippers Association developed a trucking system to move gift citrus fruit to market. A modern truck terminal was erected in Orlando where members consolidate their fruit shipments to make solid loads. These solid loads are then taken to over 42 postal drop points throughout the United States and Canada. From these small beginnings, this industry has grown to become a major element of Florida's agriculture.

Today, the Florida Gift Fruit Shippers Association consists of almost 150 members within the State. Seventy-one percent of the members of this Association ship less than 15,000 packages of gift citrus fruit annually. Fifty-six percent ship less than 10,000. About 34 percent of our members are not large enough to pack and ship their own fruit. They use the services of a wholesale packer to ship for them. Last year, we shipped over 1.3 million packages through the Orlando terminal. Adding those parcels our members shipped direct, bypassing the Orlando terminal, our industry volume last year was about 2½ million packages. The postal budget was approximately $1.2 million. We pick up the fruit by truck from our members around the State and our budget for last year's pickup was around $440,000. In short, this Association of small businesses collectively amounts to big business.

IMPACT

The average Florida Gift Fruit Shipper within our Association is a family business. Most of our members have been in this business for several years. It is a nice business because it tends to pull families together and provides opportunity for several generations to work together.

For example, Policicchio Groves on Merritt Island is a typical member of this Association. The original citrus grove was planted on Merritt Island in 1920 by Mr. Carmelo Crisafulli. It was an 80-acre grove. A few years later, a fresh fruit shop was built on the property. Today, Mr. Crisafulli's daughter, Carolina Policicchio, runs the business. She is a very young 69 years of age. Her son, Charles, and her daughter, Ruth, work the business with her. She employes 2 men and 1 woman full-time and 1 or 2 packers part-time. Last year, she shipped 4,692 packages of gift citrus fruit. As you may know, most people who depend upon agriculture have some good years and some bad years. I would like to point out that in good years or bad years, neither Mrs. Policicchio nor the citrus industry requests or receives any government subsidies or price supports.

Mrs. Policicchio's business would certainly not be regarded as a big business, but it is a successful small business providing family employment, paying taxes, and offering excellent quality citrus. The key to the success of this small business is Mrs. Policicchio's youth and vitality, which is undoubtedly a product of the fine Florida citrus which she eats. However, another very important element of this business is her ability to get the product to her customers in a rapid fashion. This has been possible because of America's independent owner-operator who moves the fruit. The financial well-being of this owner-operator is critical to the operation of Mrs. Policicchio's grove on Merritt Island.

Chris Webb is a typical owner-operator who hauls fruit for the Association. Chris' father hauled fruit for several years until he died suddenly from a heart attack. Chris came home from the Army, took his father's truck, and began to drive full-time about 4 years ago. He picks up Mrs. Policicchio's fruit and brings it to the Orlando terminal. He also carries some fruit line haul to post offices around the country. Chris has a lovely wife and two young children, and he lives in a mobile home in Mims, Florida. Chris is probably typical of most of our owner-operators. He owns one truck. He performs most of his own truck repairs. If a major repair is necessary, he has to take out a loan to pay it. If this heavy vehicle use tax is imposed, Chris advises me that he will have to take out a loan to cover it. He is able to operate because of his low overhead, his ability to do most of his own repair work, and his ability to pay as he goes. Chris further advises me that on a pay as you go basis, he could gradually work a small fuel increase into his rates and this would involve minimal hardship. The owner-operator, such as Chris Webb, is an important element of our industry, and we are most anxious that he be allowed to continue operating in a successful manner.

PAY AS YOU GO

One might think it would be just as easy to pay a fee in a lump sum basis as on a periodic basis. Indeed, for many individuals and businesses, this may be true. However, this is not the case with the independent owner-operator.

The independent owner-operator is typically not a very good businessman. He probably does not keep his records as carefully as an attorney or banker. He may not understand too much about cash flow, discount points, or the present value of money. What he does understand is driving a truck and his responsibility to the load. I believe some of our drivers, whom I have come to know quite well, would get the fruit to its destination if they had to carry it on their backs.

Drivers are paid upon delivery of a load. When they have come through a broker, the broker is first paid for the load and then he disburses payment to the owner-operator. In some cases, this may take several weeks. In our business, we provide many of our drivers with a cash advance for each trip, just to help with gasoline and expenses—and these are truckers who have operated for many years.

In short, owner-operators are paid as they deliver. There are no year-end bonuses or windfalls around the corner for the trucker—just another load to haul, another road to travel, and more taxes to pay.

CONCLUSION

Florida citrus is a unique product. It has wide popular appeal. Gift fruit citrus occupies a unique spot within this industry as it is delivered to individual homes. The key to this diverse distribution pattern and rapid delivery is the trucker. The health and well-being of the trucking industry is fundamental to the health and well-being of the gift fruit citrus industry.

It is the position of the Florida Gift Fruit Shippers Association that any front-end lump sum fee will cause tremendous hardship to the trucking industry. Such hardship can only have an adverse effect upon Florida's Gift Fruit Citrus Industry. Surely, this is not the desire of our nation's lawmakers.

The Florida's Gift Fruit Shippers Association endorses and strongly supports H.R. 2124.

GEORGIA TIMBERLANDS, INC.,
Macon, Ga., February 15, 1984.

Hon. DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE ROSTENKOWSKI: This is to inform you and your colleagues of our support for S. 1475 and HR 2124, relative to legislation on heavy vehicle use tax. We support the Diesel Differential Alternative as the most equitable of the proposed alternatives for our industry.

Growing, harvesting, and transportating forest products is the nature of our business which is much akin to farming in many ways. All of the transportation involved in our trade consists of one-way hauls with no back hauls. Consequently, freight costs in a major component of the total cost in our business. Any significant increase in freight costs has a tremendous adverse effect on the economics of the entire wood production and using industry.

Your consideration and support of this legislation is greatly appreciated. We feel that our industry and the general public will be best served by your doing so.

We respectfully request that this letter be made a part of the official hearing record.

Sincerely yours,

SIDNEY FUTCH,
Executive Vice President.

INDEPENDENT TRUCKERS ASSOCIATION,
WISCONSIN CHAPTER,
River Falls, Wis., February 15, 1984.

Congressman DAN ROSTENKOWSKI,
Chairman, House Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: The Wisconsin Chapter of the Independent Truckers Association would like to be placed on record as opposing the highway use tax and the weight distance tax as a basis for funding the Highway Trust Fund, reaffirming our support of the diesel differential legislation, H.R. 2124.

The diesel differential tax creates a more equitable pay-as-you-go funding principle raises approximately the same amount of revenue as would the other taxes, is easily administered and provides little opportunity for non-compliance eliminating the need for the status of take on the compliance responsibility as they must in the case of the highway use tax as provided in the Surface Transportation Assistance Act of 1982.

The diesel differential tax would also be more affordable to the trucking industry, most especially the independent trucker as it is paid out in smaller amounts as the trucker works eliminating the extra paperwork and deadlines required by the other taxes which is always appreciated by the man or woman who owns *and* drives his or her own truck.

Sincerely,

PAUL D. HOFFMEYER,
President, ITA-Wisconsin Chapter.

STATEMENT OF THE INSTITUTE OF SCRAP IRON AND STEEL, INC.

The Institute of Scrap Iron and Steel, Inc., supports H.R. 2124 as the best alternative to the heavy truck use tax. The diesel differential is the superior approach for raising revenues that the so-called use tax was intended to generate.

The Institute is the national trade association representing America's processors of metallic scrap for recycling. Many industry-owned trucks perform the essential task of collecting recyclable metals from diverse generation and collection points and, increasingly, the distribution function for prepared scrap to consuming steel mills and foundries.

Typically a processor operates a small fleet (7 to 15 vehicles) over short distances that rarely exceed 200 miles. The registered or operating weights of fleet vehicles generally fall in the range of 33,000 to 80,000 pounds. Under the soon to be effective July 1, 1984 truck tax, the cost of operating a typical size fleet rises nearly $12,000 without regard to any change in the vehicles' highway use or income-producing activity. The metallic scrap processing industry cannot absorb these added costs without negatively impacting the volume of metallic recycling and national conservation goals.

The industry is unique with regard to its use of tires. Tire service life is limited as much, if not more, by the higher-than-average frequency of cuts and punctures in processing facilities, collection and distribution points than by mileage-related tread wear. The industry buys the same heavy tires used by commercial truckers operating 18 wheel rigs for many thousands of miles more than the processor. The average life of such tires is significantly shorter in the recycling industry since tires are lost due to puncturing and cutting, not mileage. Tread wear following long highway use is not the predominant reason for new purchases. Consequently, the tire tax places an inordinate burden on the metallic scrap processor. For each truck tire replaced in 1984, a scrap processor will pay at least twice as much in states we as paid in 1983.

The problem is clear: under the heavy truck use tax a vehicle recording 20,000 miles per year is taxed the same as a rig traveling over 100,000 miles annually; with the tire tax, the purchaser pays regardless whether tread war or punctures occasion the replacement.

The choice among solutions is clear, too. First, an added tax on diesel fuel can supply the revenue lost by eliminating the use tax. And second, fairness can be enhanced by providing the recycling industry a credit for the Federal excise tax on tires.

A fuel tax is a desirable alternative to the heavy truck use tax. In fact, the tax on new heavy tires and the tax on registered heavy trucks have something in common. Purchases of heavy tires and registration are treated as proxies for highway maintenance costs allegedly attributable to heavy trucks. As applied to the metallic scrap industry motor carrier operations, they are gross mismeasurements. In the case of new tires purchased by the industry, the tires are replaced because of frequent punctures, not because of wearing out in over-the-road use. In the case of vehicle registrations, there is a very wide variation within the industry between the lowest mileage per vehicle and the highest mileage per vehicle totally ignored by the flat tax on registration.

H.R. 2124 is a desirable solution because:

The diesel differential is collected on a pay-as-you go basis, as a vehicle uses the higway to generate income for its owners;

Fuel consumption is actually correlated with a particular vehicle's mileage and running weight so that the attribution of responsibility is not subject to the vagaries of statistical methods used by one study or another;

The tax collection methodology for diesel fuel is efficient and well-established;

The method for distinguishing recycling activities for tax credits is not new (cf., the investment tax credit for equipment used for recycling); and

Support for the diesel differential as a complete replacement for the so-called use tax is widespread among those who would bear either tax.

The industry supports H.R. 2124 as coming closest to meeting the needs of the economy and the metallic scrap processors.

STATEMENT OF STANLEY HAMILTON, EXECUTIVE DIRECTOR, INTERSTATE CARRIERS CONFERENCE

Mr. Chairman and Members of the Committee, this statement is filed in conjunction with the Committee hearing to consider various alternatives to the truck tax increases contained in the Surface Transportation Assistance Act of 1982.

The Interstate Carriers Conference, a national organization representing more than 750 for-hire common and contract motor carriers of property, is an affiliate of the American Trucking Associations and supports its testimony in full. Members of the Conference range in size from those with only a few units of equipment to companies operating 500 or more vehicles. They vary in terms of operating revenues, some 30 percent having gross revenues of less than $1,000,000 annually and 20 percent having more than $10,000,000. In the aggregate, no other group of carriers makes more extensive use of the services of owner-operator (independent contractors).

We favor H.R. 2124, fully aware that the 5-cent diesel fuel tax increase as written when the bill was introduced March 16, 1983, would have to be adjusted upward today. Therefore, in all references to H.R. 2124 we do so with the understanding that it will have to be amended beyond the 5 cents in order to produce revenue lost by the provision repealing the heavy use tax in full.

It is the negative impact of the heavy use tax, in whatever amount, on carriers and self-employed owner-operators that concern us.

Consider the already immense investment and expenses needed for a man or woman to be an owner-operator.

It is not unusual for a no-frills tractor to cost $70,000, which includes the new 12 percent federal sales tax. That, in itself, is in excess of the cost of the average home in the United States today (and keep in mind that the independent truck operator in many cases is also making payments on a home in addition to supporting a family). The tractor customarily carries a five-year note. Subtracting 10 percent as a down payment, that leaves the owner-operator with monthly principal and interest payments of well over $1,500. That, of course, is before his or her "normal" costs for insurance, fuel, tolls, maintenance, operating permits and on-the-road living expenses. It is also necessary to set aside reserves for unanticipated expenses such as $250 to $300 for a blown-out tire or $10,000 for replacing an engine. That leaves precious little for "salary," personal savings or normal family expenses.

The Surface Transportation Assistance Act of 1982 has already added to the owner-operator's burden with the increased federal taxes on fuel,[1] tires, and trucks and trailers.

Total repeal of the heavy use tax, coupled with an X-cent-a-gallon increase in the diesel tax, would ease to some extent the impact and burden on owner-operators and trucking companies alike. It would be easily collectible and would restore the pay-as-you-go principle of the Highway Trust Fund, whereas the inflexible use tax penalizes the operator who drives 50,000 miles a year vis-a-vis the one who drives 100,000 or more.

Repeal of the heavy use tax called for in H.R. 2124 would be of especial relief for smaller carriers and the thousands of individual owner-operators, many of whom could conceivably have to borrow all or part of the $1,900 that would be due before they could purchase their state licenses. Further down the road, we would like to see an end to the 12 percent truck sales tax and the tax on tires, replaced with just a single tax on fuel.

STATEMENT OF IOWA BETTER TRUCKING BUREAU, INC.

The Iowa Better Trucking Bureau, Inc. of Sioux City, Iowa requests the following written testimony regarding Section 513 of the Surface Transportation Assistance Act of 1982 be submitted for the record.

By way of introduction, the Iowa Better Trucking Bureau (IBTB) is a trucker service organization for approximately 500 truck lines in the regional area—Northwest Iowa, Southeast South Dakota, Northeast Nebraska. Our clientele range from the one truck owner-operator to fleet size regulated carriers as well as several private carriers. We service a representative cross-section of the trucking industry and observe problems unique to each class. We feel qualified, therefore, to comment on § 513 and make recommendations for alternatives to the law as now enacted.

Pursuant to § 513 as enacted, the majority of our truckers will have to pay $1,600 per truck on July 1, 1984. For a truck line owner with just ten trucks, the tax due will be $16,000. For most, this is a lump sum payment one cannot afford to pay due to limited cash flow and decreased business. Many truckers will be forced to cease business. It is as simple as that.

The Federal Highway Administration has determined that equity is to be the primary goal in developing highway user charges. Also, consideration must be given to economic efficiency, collection and compliance and administrative costs. It seems none of these goals or considerations were fully taken into account when § 513 was drafted. And, § 513 as enacted, did most assuredly fall very short of achieving any of these goals.

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[1] And increases have been voted in many of the states, with the tax ranging from 6.5 cents in Oklahoma and Texas to 17 cents in Montana.

The major flaw in § 513 it seems, is that although greater equity was achieved based on the weight of different vehicle classes, there is no accounting for use. Thus, the 10,000 mile 80,000 pound truck must pay the same amount of tax as the 120,000 mile 80,000 pound truck. This fact flies in the face of the two measures generally used in determining an equitable tax—cost occasioning (those who use shall pay) and benefits received (those who get more, pay more). Thus, § 513 fails to achieve the desired equity a highway user tax seeks to impose.

There is a strong movement in the state and federal administrations to implement a weight-distance tax. Such tax could be state or federally imposed. This type of tax structure, it is said, provides the most equity among vehicle classes and within vehicle classes. This may be so, but what about the other considerations that need to be examined, i.e. administrative feasibility, payment ease, economic efficiency. A weight-distance tax is cost prohibitive at this time due simply to the great administrative cost involved in implementation and collection. The dollars collected from the tax would be pennies by the time it was sifted down to the highway trust fund to be used for roads. Also, a weight-distance tax seems inconsistent with a strong movement by the federal D.O.T. to simplify and make uniform state motor carrier laws and regulations. (See H.R. 4518 attached) What a weight-distance tax would result in is another reporting requirement for the trucker who already files ten to twenty quarterly fuel reports. It is our strong feeling that the "equitable" weight-distance tax loses that advantage when balanced against the administrative burden it would create for agencies and truckers as well as the resulting drain of monies from the road use fund to pay for increased administrative costs.

An alternative that is more equitable for the different vehicle classes and within the vehicle classes is a combination diesel differential and use tax. This type of tax would bring into consideration both weight and use. Also, the alternative seems advantageous from an administrative view as well as compliance, collection, and enforcement. The collection and administrative scheme is already set into place to collect an increased diesel tax. And, keeping the use tax at pre-STAA rate levels would enable the use of Form 2290 as is.

In addition, this alternative is close to being revenue neutral. If there is a 5¢ diesel increase and the pre-STAA use tax structure is used, there would be almost the same revenue generated as STAA '82. (Alternatives to Tax on Use of Heavy Trucks, Report to Congress, D.O.T. January, 1984, p. VI-6). This type of alternative would impose a tax on all vehicles over 26,000 pounds who use the highways as well as impose a use tax on the heavier vehicles who have a greater share of cost allocated to them. Thus, the lighter vehicle is not paying a disproportionate amount. It should be noted that we feel the 5000 mile exemption present in § 513 should be retained in this proposed alternative.

Therefore, we would encourage legislators to consider DOT 2 as the best possible alternatives. This to us seems the most realistic alternative as well as the most equitable.

The bottom line is that our country must have and maintain a sound transportation system. This means we must have good roads. The trucking industry knows this and is willing to pay their fair share of the cost involved in developing and maintaining a good road system. It should also be pointed out that a good transportation system needs trucks and good service by those trucks. Trucks can only provide this service under good economic conditions, which they have not experienced in the last few years and which a 800% increase in heavy use tax only worsens. We cannot encourage enough the extreme importance of enacting an acceptable alternative to § 513, such as the DOT 2 proposal. The industry cannot absorb a giant increase in tax as promulgated by § 513.

[Attachments have been retained in the committee files.]

STATEMENT OF WILLIAM P. JACKSON, JR., ON BEHALF OF NORTH ALABAMA TRANSPORTATION, INC.; DIXIE TRANSPORT, INC.; PORT NORRIS EXPRESS, CO., INC.; C. HARRELL, INC.; FULSANG'S MOTOR SERVICE, INC.; H. & W., INC.; HEDRICK ASSOCIATES, INC.; WADDELL TRANSFER, INC.; CHARTER EXPRESS, INC.; SOUTHEAST TRUCKING CO.; NATIONAL TRUCKING CO.; OSBORNE TRUCK LINE, INC.; AND HUDSON TRANSPORTATION, INC.

Come now the motor carriers listed in Appendix A, attached hereto, and make the following comments on H.R. 2124, to be included in the record of the hearing on

Modification of the Surface Transportation Assistance Act of 1982 as proposed in H.R. 2124, held Thursday, February 23, 1984.

The carriers on whose behalf these comments are being filed are primarily small truckers, as can be seen by looking at the revenue figures in Appendix A. The home office of each carrier is also indicated, along with the year it first started in business. These carriers are a fairly representative cross section of small regulated motor carriers in the United States today. These carriers are transporters of a wide variety of general and specified commodities. They operate all types of equipment, and perform specialized service for many different segments of the economy. Each of these carriers is vitally concerned with the impact of the heavy truck use tax.

Highway funding has historically been based on the principle of pay-as-you-go. A vehicle travelling 10,000 miles a year should pay less than a vehicle traveling 100,000 miles a year. Unfortunately, the Surface Transportation Assistance Act of 1982 (STAA) radically changed the principle of highway funding for the trucking industry to pay whether or not you go anywhere or how far you go. A diesel fuel fee such as that proposed in H.R. 2124 and S. 1475 would return highway funding to a pay-as-you-go system, and would raise approximately the same amount of revenue as STAA.

The worst financial year in history for the motor carrier industry was 1982. Its composite operating ratio rose to 98.29 and its income after tax margin fell to one-half of one percent. The 1982 results reflect a trend of deteriorated earnings and financial health which has continued unabated since 1977. The current dismal situation in the trucking industry is worse than the situation of 1960, the previous low point in industry earnings. The 1982 results show a significantly deteriorated industry position. Based on 497 Class I and II carrier submissions to the Interstate Commerce Commission, tonnage in 1982 was off 10.79 percent from 1981, while vehicle miles declined 7.17 percent for the same period. Revenues declined 5.76 percent, and net carrier operating income fell by 55.76 percent. Ordinary income before taxes fell by 64.84 percent. With income taxes taking over 57 percent of these earnings, ordinary income after taxes in 1982 was 75 percent lower than the 1981 earnings. For the year as a whole, 40 percent of the individual carriers had operating ratios of over 100, indicating operating losses. Specifically, in the fourth quarter of 1982, 59 percent of all carriers experienced losses in operating their trucking businesses. This is in addition to the 300 major carriers which have gone out of business altogether, or are in Chapter 11 bankruptcy or have reduced or altered service. In view of these dismal facts, the effect of the increased user taxes in STAA will be disastrous to the industry.

Given the current state of the motor carrier industry, even minor additional expenses may result in sufficient deterioration in operating margins and erosion of profitability to push motor carriers over the brink. One of the carriers participating in these comments, Osborne Truck Line of Birmingham, also is presently attempting reorganization under Chapter 11 of the Bankruptcy Law. Failure to modify STAA will likely force a Chapter 7 liquidation, to the detriment of Osborne, its creditors, and its employees. Other involved carriers will face the same problem.

According to the Joint Committee on Taxation of the U.S. Congress, even with tremendously low earnings, the trucking industry pays income taxes at 47.1 percent, the second highest effective rate of 22 industry groups. In contrast, the railroads received income tax refunds or tax credits in 1981, equivalent to a negative 7.5 percent effective tax rate. The level of federal increase in the various highway taxes dramatically exceeds past changes in these fees. The heavy vehicle use tax for heavy trucks will be $1,600.00 per unit in 1985, rising to $1,900.00 per unit by 1988, up from the current level of $240.00 per unit, an increase of about 700 percent. Combined with other tax changes, most truckers will pay an average of 87 percent more in federal highway taxes, and twin-trailers will pay 132 percent more in 1985.

The exorbitant taxes contained in STAA are based on the highway cost allocation method developed by the Department of Transportation (DOT). The carriers submitting comments herein do not agree with the results of that study. The methodology used by the DOT is erroneously based on the concept that highway damage is due almost exclusively to vehicle weight. This method erroneously ignores accepted factors such as pavement age, weather, chemicals and other environmental factors as major reasons for deterioration of the nation's highways. The method utilized by DOT asisgned only seven percent of asphalt pavement rehabilitation and only a remarkable one percent of concrete pavement rebuilding cost to factors other than truck weight. These figures are simply inaccurate. Further, the method utilized resulted in the conclusion that one truck does as much damage as over 9,800 passenger automobiles. It is not believed that any state highway department design standards provide for such an assumption. It is imperative that another study be designed to ensure that statistically and conceptually valid, factually accurate information is available, and that this study be done by a nationally recognized testing and evaluation group completely independent from DOT.

If the methodology utilized by the DOT were correct, it would mean that highways which do not carry truck traffic would last virtually forever and would never need reconstruction or repaving. There are a number of roads which do not carry any appreciable heavy truck traffic, and have never done so since their construction. Experience with these roads shows the fallacy of the DOT's methodology. Truck weight is a factor in highway wear, but it is only one factor, not the sole factor. An entirely new cost allocation method based on the assumption that truck weight is the dominant cost factor in both new construction and reconstruction simply cannot be justified. Unfortunately, DOT is either unwilling or unable to grasp the fallacies contained in its highway cost allocation study. This inability is perhaps aided and abetted by the high level of influence exerted by the large railroads on this administration.

DOT does, however, suggest that its main efforts will focus on evaluating tax options, that either singly or in combination may:

1. Reduce the inequities of the present heavy use tax while retaining equivalent total revenue;
2. Increase payment convenience and flexibility, particularly for small truck operators; and
3. Be administratively effective while encouraging a high degree of compliance.

The result was DOT's report entitled "Alternatives to Tax on Use of Heavy Trucks," which was submitted to the Congress on January 25, 1984. The study did not endorse any of the tax alternatives submitted, but rather, left it to Congress to determine the most equitable approach.

With respect to reducing the inequities of the present heavy truck use tax, it is suggested that it makes no sense to allocate one cent per gallon for mass transit or railroad use, thereby forcing the trucking industry to subsidize a non-highway use. Accordingly, it is suggested that a tax on railroad diesel fuel be imposed that will generate the same amount of revenue that an equivalent reduction will remove from the overburdened shoulders of the trucking industry. In this regard, it should be noted that, in the worst year in its history, the trucking industry paid over 47 percent of its profit to the federal government in taxes, while the railroad industry paid no income tax but actually received subsidies from the federal government during the same period, calendar year 1982, even though it enjoyed very high profits.

In connection with the second numbered item above, it would certainly increase payment convenience and flexiblity for all truck operators if the tax were converted to a diesel fuel differential, as suggested by H.R. 2124 and S. 1475. Alternatively, weekly or monthly payments should be permissible, with a reduction in any heavy truck use tax for a period during which the truck is not used on the road.

Thirdly, it is suggested that the diesel fuel tax be collected at the refinery level, so as to simplify its administration. An alternative approach would be for the collection to be made at the wholesale level.

There has been some concern expressed regarding unfair taxation of owners of small diesel powered vehicles, such as passenger automobiles. It would be very simple to allow these persons to claim a tax credit on their federal income tax returns each year. It is estimated that the amount of such a tax credit would only be in the vicinity of $30.00. This is *de minimus*.

It is strongly suggested that the STAA was passed by Congress in the haste and frenzy which marked the closing days of the lame duck session in 1982, and was rushed through in near record time despite the lack of adequate public hearings and the vigorous opposition of the trucking industry. Elimination of the heavy truck use tax and other taxes mandated by STAA, and replacement by a revenue neutral diesel fuel differential tax, such as that proposed in H.R. 2124 and S. 1475, would appear to be the easiest way of accomplishing revenue production, while simplifying collection matters. This would be fair, however, only if the diesel fuel fees were increased after taking into consideration the rail transportation tax currently borne by trucks.

The current heavy truck use tax is a very unfair tax provision because it is actually an annual federal property tax leveled on each truck regardless of the highway miles travelled. The use of a diesel fuel fee would be more equitable, because it would reduce the excessive tax burden on a specific group of trucks, and would also return federal highway financing policy to the pay-as-you-go principle. In that manner, the increased diesel fuel tax would be imposed only when the vehicle is using the nation's highways to transport freight and produce income. This is much more consistent with federal tax policy, and is inherently more equitable and affordable than the provisions of the heavy truck use tax.

It is respectfully submitted that DOT's conclusion that, "the [STAA] tax does not fully capture the impact of heavy vehicle, high-mileage traffic on highway costs" is incorrect. It is submitted that this tax has been imposed upon the trucking industry in an unfair manner. The railroads should be looked to, and not just the highway engineers, for a true appreciation of who imposed this situation upon the trucking industry. This situation must be changed, and quickly.

In conclusion, the carriers submitting these comments support the position currently taken by the American Trucking Associations, Inc., both as to DOT's report on "Alternatives to Tax on Use of Heavy Trucks," and its support of H.R. 2124 and S. 1475, although they reserve the right to vary from ATA's position should it later change. It is therefore recommended that the heavy truck use tax be repealed, and that it be replaced with a diesel fuel differential tax, such as that proposed by H.R. 2124 and S. 1475. This approach appears to be the most reasonable method for reaching the required revenue goals. It will reduce the inequities of the present heavy truck use tax while retaining equivalent total revenue. The heavy truck use tax is inherently inequitable, as a vehicle which travels 100,000 miles will pay the same tax as a vehicle which travels only 10,000 miles. The diesel fuel tax will increase payment convenience and flexibility, as it will result in a pay-as-you-go formula, rather than a lump sum payment. The weight-distance tax would be an administrative nightmare, and is dismissed out of hand for that reason. The methods proposed by H.R. 2124 and S. 1475 will also be administratively more effective, resulting in a high degree of compliance, as the fuel tax will be collected at the time the diesel is sold, rather than relying upon the owners of the vehicles to comply with a lump sum payment of a large heavy truck use tax, whether or not the vehicle even produces revenue.

APPENDIX A

Information concerning involved motor carriers

North Alabama Transportation, Inc., Ider, AL. Units: 100 (all owner/operators). Employees Including Owner/Operators: 125. Year Operations Commenced: 1979. 1982 Gross Revenue: $6,000,000.

Dixie Transport, Inc., Hattiesburg, MS. Units: 50 (all owner/operators). Employees Including Owner/Operators: 60. Year Operations Commenced: 1979. 1982 Gross Revenue: $3,700,000.

Port Norris Express Co., Inc., Port Norris, NJ. Units: 40 (20 owner/operators). Employees Including Owner/Operators: 55. Year Operations Commenced: 1938. 1982 Gross Revenue: $2,484,000.

C. Harrell, Inc., Elmer, NJ. Units: 17 (no owner/operators). Employees: 23. Year Operations Commenced: 1966. 1982 Gross Revenue: $1,300,000.

Fulsang's Motor Service, Inc., Countryside, IL. Units: 26 (all owner/operators). Employees Including Owner/Operators: 32. Year Operations Commenced: 1897. 1982 Gross Revenue: $720,000.

H & W, Inc., Opelika, AL. Units: 23 (5 owner/operators). Employees Including Owner/Operators: 32. Year Operations Commenced: 1972. 1982 Gross Revenue: $3,500,000.

Hedrick Associates, Inc., Far Hills, NJ. Units: 17 (5 owner/operators). Employees Including Owner/Operators: 21. Year Operations Commenced: 1970. 1982 Gross Revenue: $1,500,000.

Waddell Transfer, Inc., Atkins, VA. Units: 12 (all co.). Employees Including Owner/Operators: 17. Year Operations Commenced: 1932. 1982 Gross Revenue: $800,000.

Charter Express, Inc., Ravenna, OH. Units: 4 (1 owner/operator). Employees Including Owner/Operators: 9. Year Operations Commenced: 1970. 1982 Gross Revenue: $900,000.

Southeast Trucking Company, Ravenna, OH. Units: 9 (4 owner/operators). Employees Including Owner/Operators: 10. Year Operations Commenced: 1952. 1982 Gross Revenue: $545,000.

National Trucking Company, Ravenna, OH. Units: 5. Employees Including Owner/Operators: 6. Year Operations Commenced: 1981. 1982 Gross Revenue: $96,000.

Osborne Truck Line, Inc., Birmingham, AL. Units: 90. Employees Including Owner/Operators: 146. Year Operations Commenced: 1940. 1982 Gross Revenue: $6,000,000.

Hudson Transportation, Inc., Troy, AL. Units: 32. Employees Including Owner/Operators: 47. Year Operations Commenced: 1973. 1982 Gross Revenue: $4,200,000.

MALONE & HYDE INC.,
Memphis, Tenn., February 16, 1984.

Hon. DAN ROSTENKOWSKI,
Committee on Ways and Means, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: I am writing to urge your support of modifications to the Surface Transportation Act amendments of 1982 as embodied in H.R. 2124.

Malone & Hyde is a food distributor and specialty retailer supplying over 2,300 independent food retailers in seventeen southeastern and south central states. We are also the parent company of the Piggly Wiggly franchise system.

The 1982 Surface Transportation Act amendments drastically increased heavy truck user fees and increased the federal tax on diesel fuel in an effort to rebuild the Highway Trust fund, make heavier trucks pay more, and to create jobs. There is no doubt that the legislation as enacted will accomplish those goals but upon reflection the trucking industry feels the legislated user fees have created an intolerable degree of inequity. H.R. 2124 will go a long way in restoring equity and be close to being "revenue neutral".

Increasing the heavy truck user fee from $240 maximum to $1900 maximum for trucks licensed to 80,000 pounds gross vehicle weight is inequitable as it is not based on amount or type of use. In short, it is nothing more than a property tax.

In our extremely low margin business of food distribution such a drastic increase in licensing fees is particularly onerous. Not only must the user fee be paid in lump sum, but we pay for a privilege we seldom use. Typically we mix products and quantities of each, and often have less than truck load quantities going to individual stores. We need the cubic space large vehicles offer but seldom near our maximum gross vehicle weight of 80,000 pounds. Yet the user fee concept assumes a licensee will always utilize the equipment at the maximum allowable weight.

A far more equitable, and basically revenue neutral, approach is to assess a higher gallonage tax on diesel fuel and to reduce the scheduled user fee increase to the 1982 level of $240 or even less. The gallonage tax is easily administered through an existing collection mechanism. It is also more directly related to usage and miles traveled. It is also a pay-as-you-use assessment rather than an up-front lump sum payment.

It is my understanding that the Ways and Means Committee will hear testimony on the issue of trucking related taxes on February 23 with a markup of H.R. 2124 or some other similar bill scheduled for the following week.

We hope that you will support efforts to reduce the onerous and ill-CONCeived heavy truck user fee to a maximum of the 1982 level of $240 per vehicle while shifting the revenue collection to the gallonage tax imposed upon diesel fuel.

Sincerely,

GARY L. BURHOP,
Assistant to the President.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 22, 1984.

Hon. DAN ROSTENKOWSKI,
Chairman, Ways and Means Committee.
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter from the Minnesota Motor Transport Association, containing the Association's position on the Heavy Vehicle Use Tax and the Administration's latest position thereon.

I hope that you can include this letter in the record of your upcoming hearings on this subject, and urge you to consider MMTA's position in any legislation which your Committee may adopt.

With warm best wishes.

Sincerely,

JAMES L. OBERSTAR,
Member of Congress.

Enclosure.

MINNESOTA MOTOR TRANSPORT ASSOCIATION,
St. Paul, Minn., February 14, 1984.

Hon. JIM OBERSTAR,
Rayburn House Office Building, Washington, D.C.

DEAR JIM: Thanks for your letter of February 8 and the copy of DOT's report to Congress which you enclosed. It might interest you to know that according to the report I received on the February 9 meeting of the Senate Finance Committee, U.S. DOT Secretary Elizabeth Dole stated the Department's position that the only acceptable alternative to the Henry Vehicle Use Tax (HVUT) slated to go into effect July 1, would be their own Option 4—i.e. 6¢ per gallon and $650 maximum HVUT.

In light of this sham which the DOT apparently wants to impose on the trucking industry, I want to reconfirm the position of the Minnesota Motor Transport Association as follows:

(1) Repeal the Heavy Vehicle Use Tax slated to go into effect July 1, 1984;

(2) Make up the needed revenue by enacting an additional diesel fuel tax applicable to vehicle over 10,000 pounds GVW. From the information we have seen, a 7 to 7.5 cents per gallon rate would be sufficient (as compared to the 5 cents currently proposed in H. 2124).

In talking with members of the Senate, I have conceded that if politically necessary we would be willing to consider a combination of 5 cents per gallon diesel tax and the current $3 per thousand pounds of vehicle weight use tax (applicable to all vehicles over 33,000 pounds GVW). We understand this would provide about the same amount of revenue as a flat 7.5 cents diesel tax. However, if any use tax is retained we believe it should be restructured in such a way as to ease the cash flow crunch imposed on the truck owner. This might be accomplished by allowing monthly payments, or at least a credit for those months during which the vehicle is not operated.

Frankly, the Secretary's proposal is totally unacceptable to our members because it does virtually nothing to relieve the unfair tax burden created with the passage of STAA. For shorter distance carriers, any benefit derived from cutting the new use tax down to $650 is largely offset by the 6 cents per gallon diesel tax. At the same time this package would increase taxes on those heavy trucks which will rack up more than 80,000 miles during 1984. The more miles the greater the corresponding tax increase. The suggestion to exclude all vehicles under 55,000 pounds GVW from the use tax poses yet another serious inequity. The truth is that a great many trucks between 33,000 and 55,000 pounds operate on our highways with heavy single and tandem axles (the same is also true of a number of trucks above 26,000 pounds). In our considered opinion the exclusion of these vehicles cannot be defended from an engineering standpoint.

As the Congress continues its truck tax deliberations, we urge your support for the positions outlined in this letter. Please let me know if you have any questions or desire additional information.

Sincerely,

JAMES N. DENN, *President.*

MONTANA LOGGING ASSOCIATION,
Kalispell, Mont., February 15, 1984.

Hon. DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: The Montana Logging Association (MLA) wishes to be placed on the official hearing record as opposed to the Heavy Vehicle Use Tax as proposed in the Surface Transportation Assistance Act of 1982 (STAA), and in favor of the Diesel Differential alternative which is embodied in H.R. 2124.

The MLA represents independent logging contractors from every timbered region of Montana. Whereas, our average member employs less than 10 employees, we are very much independent small businessmen. The Heavy Vehicle Use Tax as proposed in STAA would have a damaging effect on our membership; however, beyond this, the application of fixed annual taxes on truckers regardless of their highway use is simply inequitable.

It is very important that Congress understand the basic differences between log haulers and highway haulers. (1) Log haulers record considerable mileage on unsurfaced forest roads as opposed to highway haulers who constantly haul on local, state or federal highways. (2) Log haulers deliver logs from a nearby forest to a local manufacturer, thus, we are operating empty half of the time while our counterparts on the highway are operating loaded most of the time. (3) Log haulers serve an intrastate need, thus, we are recording 50,000/60,000 miles per year while highway haulers serve an interstate need and record 100,000/200,000 miles per year. (4) Log haulers in Montana must "lay-up" 2 to 3 months each spring when our local roads are too soft to haul over while interstate haulers can roll yearlong.

The Heavy Vehicle Use Tax, which places an equal burden on log haulers and highway haulers alike, is grossly unfair to our industry. The simplest and fairest method of trucking taxation is the fuel tax. The Diesel Differential alternative as embodied in H.R. 2124 is equitable and is deserving of congressional support. We sincerely urge you to ignore those who view legislation merely as revenue generating measures and who could care less about equality.

Congressman Rostenkowski, we are not asking for special treatment under the law. We are more than willing to pay our fair share to ensure this nation's highways system is second to none. An equitable system of taxation is readily available in the Diesel Differential alternative and we urge your support.

Respectfully yours,

CLYDE B. SMITH, *President.*

STATEMENT OF WALTER E. GALANTY, JR., EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF BRICK DISTRIBUTORS

The National Association of Brick Distributors (NABD) welcomes the opportunity to discuss alternatives to the heavy vehicle use tax which was greatly increased by the Surface Transportation Assistance Act of 1982 (STAA).

Quite naturally, Congress was concerned with the magnitude of the heavy vehicle use when it required the Department of Transportation and Treasury to conduct a study of alternatives in Section 513(g).

NABD testified at joint hearings that were held in April and again in September and we must publicly commend both departments for completing their study one year early. We were very pleased that the study did not endorse a particular tax alternative and left the decision to Congress to determine the most equitable approach.

The brick distribution industry is committed to the program of increased federal ing for our nation's highways and bridges as provided by STAA. We are also nitted to paying our fair share of highway user taxes to raise the necessary revenue to fund this federal program.

However, the truck taxes that were approved by Congress in the tight timetable of the special session of the 97th Congress are not only inequitable, but also not related to the truck industry's use of the highways.

The worst part of the truck tax is the very large increase in the heavy vehicle use tax. This tax is scheduled to rise from a current maximum of $240 a year to $1,600 on July 1, 1984 and continue upwards to $1,900 in 1988. This tax is not related to use, load or weight. A vehicle traveling 6,000 miles per year pays the same tax as a vehicle traveling 120,000 miles per year.

NABD is the only trade association that represents the distributors and dealers of brick and all other related products. With members located throughout the United States, this association has representatives in virtually every marketing area of the country.

NABD members sell all types of brick and hard building materials such aa concrete block, sand, gravel, mortar, tile and flu liner for chimneys. These materials are sold to our members F.O.B. Plant so our members are the ones who must negotiate delivery from the manufacturing facility to our members' stocking location. Because of this, NABD members are involved in the transportation business and more specifically the effects the implementation STAA will have on the price of their goods.

Our objections to the STAA are very basic. The STAA annual lump sum advance payment may provide an easier method of collection since the tax is based solely on the gross vehicle weight of the truck. However, there is no accounting for the fact that many trucks, like brick trucks, do not operate on highways fully loaded 24 hours of the day, seven days a week. Brick trucks, on the average, are in use 6.87 hours per work weekday. Of that time, 3.49 hours or 51% of the time they are sitting off the highway either on the job site or in the yard loading or unloading. This does not even take into account the long periods during the winter months and inclement weather when most of the brick trucks sit idle and do not even leave the yard.

On the average, brick distributors use 84.7% of their trucks for local deliveries. These deliveries never leave the brick yard fully loaded and will usually make two or three stops along the way leaving material at each stop. A weight-distance tax would be totally unacceptabe to NABD because the paperwork burden on our members to calculate the actual weight of the truck and subsequent distance traveled for every vehicle for every stop would be more than we could handle.

68.2% of all the brick received at a brick distributor's yard arrives by truck so not only are we concerned about the trucks NABD members own but also all the trucks that move material to their yard. With our industry committed as much as we are to the trucking industry the increased heavy vehicle use tax under STAA would be devastating.

The brick distribution industry supports legislation to repeal the heavy vehicle use tax and replace this property tax with a five-cent diesel differential applicable only to trucks. H.R. 2124 introduced by Representative Bill Frenzel, Carroll Campbell and Ed Jenkins and co-sponsored, as of February 10, 1984, by 239 members of the House of Representatives accomplishes this. H.R. 2124 is also supported by the Coalition for Equitable Truck Taxes and the National Truck Weight Advisory Committee of which we are a member. These coalitions have over 50 members, including major shipper organizations; the entire food chain; and all owner-operator groups.

While none of the tax alternatives is truly perfect NABD believes an increased diesel fuel tax payable by all trucks in excess of 10,000 pounds gross vehicle weight would be the best alternative. Such a diesel differential would cause those trucks which log the most miles to pay the largest tax. In a situation where two trucks travel an equal number of miles, the diesel differential would levy a higher tax liability on the heavier vehicle because of its reduced fuel efficiency. In terms of equity, those who weigh more will pay more an those who drive less will pay less.

When originally drafted H.R. 2124 was intended to raise sufficient revenue to fund STAA and remain neutral. Because this legislation was not enacted in 1983 there might be a shortfall in revenue. We would support amending H.R. 2124 to correct this as long as the following principles are maintained:

(1) The tax option be as closely tied to use as possible, and on a pay-as-you-go basis.

(2) The amount of revenue raised approximates the $72.021 billion revenue level need to fund STAA authorizations.

The Department of Transportation has already advised you that it favors a maximum heavy vehicle use tax of $650 and simultaneous increase of the diesel fuel tax by six cents per gallon. It has lined up a few supporters of this measure but I urge the Congress to carefully analyze this option. Most of these supporters have their membership excluded from the effects of the measure by either the weight or distance exclusion contained in this option. Congress clearly indicated when it passed the STAA that all trucks would be subject to the tax and to now go back and accept the USDOT's option would be to exclude 700,000 trucks from the payment of their fair share of the burden. In addition this measure is totally unacceptable to NABD because it still retains the discriminatory features of a lump sum "property" tax based upon weight alone, even though it is at a reduced level.

The diesel differential, as contained in H.R. 2124, has a few options which makes it the most attractive. First, it is not a new taxing option. As a result, it will not require new forms or new procedures. Carriers paying the current diesel tax will only pay a higher rate. Secondly, it is not a self-reporting tax. As a result, compliance is widespread and hard to avoid.

We urge the committee to completely eliminate the Heavy Vehicle Use Tax and replace it with H.R. 2124. This is the only alternative that will put an end to the discriminatory Federal tax treatment and replace it with the diesel differential tax.

STATEMENT OF MICHAEL T. SCANLON, JR., VICE PRESIDENT FOR POLICY AND ANALYSIS, NATIONAL OIL JOBBERS COUNCIL

Chairman Rostenkowski & Members of the Committee, on behalf of the National Oil Jobbers Council (NOJC), I wish to submit these written comments as a part of the record of the Committee's hearing (February 23, 1984) on heavy vehicle use taxes and special motor fuels (diesel) taxes.

The NOJC represents some 15,000 independent, small business petroleum products marketing companies. These marketers are deeply concerned on both the tax on use of heavy trucks and the collection and remittance of the diesel fuel excise tax. NOJC companies own and operate 22,738 heavy trucks in the distribution of motor fuels and home heating oil. Also, these same companies collect and remit approximately 25 percent of the total federal special motor fuels excise tax. Thus, our federated membership is directly affected in two ways by the deliberations of the House Ways and Means Committee on the issues of alternatives to the use tax on heavy trucks.

NOJC firmly believes that any remedial legislation designed to alter either the heavy vehicle use tax or the current rate of the special motor fuels tax ought to address the following items:

(1) a tax credit procedure for those diesel-powered vehicle owners who might overpay diesel excise taxes as part of any "diesel differential" tax scheme; and,

(2) a 5-day extension of time for semi-monthly special motor fuels (diesel) excise tax deposits.

TAX CREDIT FOR EXCISE OVERPAYMENTS

A "diesel differential" tax would creaste a two-tiered tax structure with heavy trucks paying a higher rate of diesel excise tax; lights trucks and autos presumably would be eligible for a lower rate of diesel tax.

Most retail motor fuels dispensing locations have only one pump dedicated to diesel fuel. Should IRS, by regulation, mandate that each tax tier be posted at retail, many small business jobbers and dealers would have to buy and install a second diesel fuel pump at each retail location. Also, since heavy truck operators could avoid the higher tax rate by pulling up to a lower-tiered tax pump, station owners and employees would daily be placed in the position of enforcing the tax code at every pump island. This is a major problem which can be avoided by a tax credit procedure.

NOJC would suggest that any remedial legislation specifically direct the IRS to mandate that the higher-tier diesel tax be reflected at all retail pump locations. Those tax payers eligible to purchase diesel at the lower-tier rate could then be permitted to file for a tax credit on their annual IRS Form 1040. Since the IRS has an adequate audit and enforcement program to tax returns, the problem of daily station enforcement disappears.

FIVE-DAY EXTENSION OF DUE DATES FOR DIESEL EXCISE TAX

The passage of the Surface Transportation Assistance Act of 1982 allowed for a 5-day extension for remittance of gasoline excise taxes (see Title V, Section 518 of S.T.A.A). Thus, gasoline taxes are now deposited on the 14th and 29th of each month. However, special motor fuels (diesel) excise taxes are still deposited on the old schedule (the 9th and 24th of each month).

NOJC urges the House Ways and Means Committee to rectify this cumbersome remittance schedule process for the thousands of small business excise tax remittors. By allowing a 5-day extension on diesel excise tax deposits, the Congress would be reducing small business tax accounting and handling costs and would make compliance by small business much easier.

Current options to increase the diesel fuel excise tax (in response to a lessening of heavy truck use taxes) range from a 22–100% increase. The costs of handling these increased sums (i.e., accounting, security, etc.) fall to those small businesses which collect the tax.

By permitting a 5-day extension of the diesel fuel excise tax deposits, the federal government would forego interest income of approximately $110,000 (on those amounts remitted by small business).

These issues are germane to the Committee's deliberations on alternatives to the use tax on heavy vehicles. We hope that these two items will be amended into the Committee's mark-up vehicle.

National Star Route Mail Contractors' Association,
Washington, D.C., February 13, 1984.

Hon. Dan Rostenkowski,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: The National Star Route Mail Contractors Association represents some 13,000 small businessmen and women who contract with the U.S. Postal Service for the over the highway transportation of the mail. The Association has branches in every state of the union and its membership consists of box delivery contractors who serve rural America, medium size city to city contractors and contractors who are providing transcontinental service with fleets of tractors and trailers. We appreciate the opportunity to submit this statement for the record in support of H.R. 2124.

The Association has long held that the "use" tax contained in the Surface Transportation Assistance Act of 1982 was a misnomer at the time of its inception. It is well recognized now that this use tax is actually a property tax since the same fees are required for heavy duty vehicles irrespective of whether they travel 100,000 miles over the highway or 20,000 miles.

We feel that the provisions of H.R. 2124 correct the above inequity and provide for a true use tax since it will be based on diesel fuel usage. Since there are existing mechanisms in place for collecting federal taxes on gas and diesel fuel, it would appear to us that a revenue neutral tax increase in diesel fuel as a substitute for the existing use tax, would also make collections easier.

Again, Mr. Chairman, the Association thanks you for the opportunity to present our testimony in support of H.R. 2124.

Thank you.

Sincerely,

JOHN V. "SKIP" MARANEY,
Executive Director.

STATEMENT OF PHILIP P. FRIEDLANDER, JR., EXECUTIVE VICE PRESIDENT, NATIONAL TIRE DEALERS & RETREADERS ASSOCIATION

My name is Philip P. Friedlander, Jr., Executive Vice President of the National Tire Dealers and Retreaders Association (NTDRA), a national nonprofit trade association representing nearly 5,000 independent tire dealers and retreaders located in 50 states who are engaged in the wholesale and retail distribution of automobile and truck tires, the retreading of tires, and the sale of related products and services.

Mr. Chairman, I appreciate this opportunity to discuss the January 1984 Department of Transportation study submitted to Congress on alternative tax options for heavy trucks which operate on the nation's highways. That report provided an in-depth analysis of a wide range of tax alternatives to the increases in the heavy truck user fees. It did so based on the following objectives: to maintain the amount of revenues, in total and by class of vehicle, as enacted in the Surface Transportation Assistance Act of 1982 (STAA), to make payment easier and more equitable within classes of users based on distance traveled, and to simplify administrative and enforcement requirements.

The STAA provided an infusion of funds to rehabilitate our highway system that was in need of additional work and it substantially improved the fairness of the tax structure among the major classes of users of the highways. While accepting the merits of the substantial increase in the funding and program levels provided by the STAA, the DOT study sought to improve the ease of payment and equity within classes of users by shifting from lump-sum to use-based taxes to the extent feasible while maintaining the maximum level of simplicity in administrative and enforcement requirements.

The DOT study concluded that the current fees do not fully measure the two principal variables: weight and distance. To measure them directly and more equitably would require a comprehensive change—specifically a weight-distance tax. The compelling advantage of such a tax is that it addresses directly those characteristics that should be taxed as a measure of costs imposed upon the highways by users. It is an option that addresses precisely the trucking industry's major criticism of the heavy vehicle use tax: that is its insensitivity to mileage variation. As the study further concludes, a weight-distance tax could replace the less desirable surrogate taxes (e.g., retail excise, heavy vehicle use, and tire taxes).

We endorse DOT efforts and urge Congress to examine the conclusions of a study on the merits of a weight-distance tax.

We would like to put forward the following observations:

(1) A weight-distance tax substituted for the 3 excise taxes might provide improvement in equity among vehicle classes and within vehicle classes.

(2) Dergulation of transportation industries is leading to a climate of increasing competition, not only within transportation modes but between the nation's major transportation capabilities. In order for all transportation resources to develop and be used efficiently, tax programs that support them must be designed to assign cost occasioned by users based on simple, direct measures of that use.

(3) Current efforts of states and industry to achieve more uniform motor carrier certification and taxation could help provide the information necessary to efficiently and equitably administer a tax program based directly on use.

(4) Although the Federal government has no first-hand experience with weight-distance taxes, based on the experience of states that do impose such taxes administrative costs to the Federal government could be lower. Oregon, Ohio, and New York levy a form of a weight-distance tax.

(5) A Federal weight-distance tax imposed uniformly could eliminate problems relating to reciprocity between states having differing versions of a weight-distance tax.

(6) As the American Automobile Association contends, any taxing mechanism relying on fuel consumption as a major element in compensating for highway responsibility becomes imprecise and inequitable when attempting to recover cost responsibility from a vehicle population with widely divergent weights. A Federal highway cost responsibility study asserted that a combination vehicle over 75,000 pounds had a per-mile cost responsibility about 16 times that of a passenger car yet consumes only 3 to 4 times more fuel. Therefore, this vehicle would have to pay more than 30 cents per gallon fuel tax to meet its determined cost responsibility through fuel taxes alone.

(7) DOT proposes that the adoption of a Federal weight-distance tax would allow for the elimination of the burdensome truck tire tax. While literally tens of thousands of tire store outlets have millions of dollars tied up in inventories of multiple use tires (light truck, heavy truck, off-the-road vehicles, etc.), the monies collected represent the smallest yield of the revenue sources. Money tied up in inventory taxes cuts into the profit picture of these small business tire retail operations, many of whom are trying to survive in what have been serious economic conditions. We would hope that a repeal of this tax on the Federal level would not be taken as an invitation by state governments to pick up the tax on a local level.

(8) The truck tire tax is not equitable as tire treadwear is not necessarily a true measure of highway use. Construction activity, for example, could cause tire wear greater than over the road use.

(9) With the tremendous increase in the tax on heavy truck tires effective January 1, 1984 we are concerned that a safety problem could develop. Because, for example, the tax on a 125 pound truck tire has increased from $12.19 to $28.00, we are concerned that truckers may consider or begin to either undersize the tires they use on their vehicles or run the tires beyond the point in which they are considered legally safe.

DOT contends that there appear to be no insurmountable reasons why a simple weight-distance tax could be imposed on the national level, replacing the retail excise, heavy vehicle use, and tire taxes. A weight-distance tax would require only that the truck operator know the registered gross vehicle weight of the truck and the total miles driven during the taxable period.

Because the Federal government has no first-hand experiences with weight-distance taxes, DOT urges further analysis prior to any congressional action. DOT has suggested various areas which should be explored: administration of the tax must not be overly costly or burdensome and adequate compliance would require more uniform vehicle data, the present lack of accurate mileage records maintained by the highway user and made available to the Internal Revenue Service is a major difficulty to overcome, and auditing practices for enforcement purposes could pose problems.

A recently released American Association of State Highway and Transportation Officials study recommends the enactment in 1986 of a weight-distance tax, retaining the present use tax until that time.

The DOT study on alternative tax options for heavy trucks, mandated by the Surface Transportation Assistance Act of 1982, suggested that more information be collected and further analysis and planning be devoted to the subject of a weight-distance tax. Should the analysis show that such a scheme is practical, it could replace the burdensome and less desirable retail excise, heavy vehicle use, and tire taxes.

NTDRA supports the DOT in its effort to arrive at the most equitable tax policy possible. We urge Congress to afford the study a favorable hearing. If planned and implemented effectively, the DOT proposed tax structure could reduce administrative costs for the trucking industry and related industries while providing governmental authorities a fair and effective taxing scheme.

Northeastern Logger's Association, Inc.,
Old Forge, N.Y., February 24, 1984.

Chairman Dan Rostenkowski,
House Ways and Means Committee,
U.S. House of Representatives, Washington, D.C.

Dear Chairman Rostenkowski: I am writing this letter in support of the diesel differential alternative contained in HR 2124. On behalf of the membership of this association we ask that this letter of support be made a part of the official hearing record of the February 23, 1984 hearing.

A great majority of our 1700 members are small businessmen with one or two trucks. The distance traveled with these trucks is not great because shipping costs must be kept to a minimum for this low value-high bulk commodity. Normally these trucks are used to haul logs to the mill and the backhaul is empty.

Because of bad weather—this is especially a factor here in the Northeast—and market restraints work stoppages and slowdowns are common thereby reducing the road time of these trucks.

It seems then with these obvious facts in hand a pay-as-you-go approach, such as that in HR 2124 would be more fair. The diesel differential plan can be structured to provide the required revenue. The system for collecting fuel taxes is already in satisfactory operation The tax on fuel is fair because it relates to the vehicle's use of the roads. With the diesel differential loggers will still be able to maintain a spare truck to be used to meet peak demand.

Thank you for your consideration of these points.

Sincerely,

George E. Mitchell,
Executive Secretary.

Statement of Oregon Department of Transportation

Passage of the 1982 Surface Transportation Assistance Act enabled significant progress in helping meet this nation's highway and transit transportation needs. The House Ways and Means Committee's leadership in passage of the fuel and highway user tax increases was the critical factor in assuring the success of the new Act. You are to be congratulated for this fine effort.

The new Act is not without its controversies and I would like to not only express my concerns but also make recommendations on several of the items which are within the jurisdiction of your committee.

HEAVY VEHICLE USE TAX

The Heavy Vehicle Use Tax schedule was to a large degree derived from results of extensive studies of relative vehicle class cost allocations. The principle being, the users of the highway system should pay their fair share of the costs to construct and maintain that system. The American Association of State Highway and Transportation Officials (AASHTO) strongly endorses such an approach, as do many other states besides Oregon. Concessions were made to lessen the burden of the tax by making some reduction in maximum amounts, phasing in the effective dates, and providing exceptions for smaller vehicle fleets and vehicles traveling relatively few miles on public highways.

The controversy continues as to alternatives to this heavy vehicle use tax. As you know, these alternatives range from no tax at all, to various combinations of diesel fuel differentials and reduced use taxes, to weight-distance taxes in lieu of all user taxes other than fuels. In most proposals one common foundation appears to be well accepted; any proposal should be revenue neutral (in assuring no decrease in projected revenues going into the Highway Trust Fund for highway purposes), should maintain or enhance the equity of highway taxes among highway user classes, and should be administratively feasible or reasonable.

A recent AASHTO study has been completed, as well as a USDOT study, which embraces these guidelines in the search for possible alternatives to the heavy vehicle use fee. I believe these principles must be adhered to in any deliberations concerning alternatives if we are to retain integrity and fairness of our current highway programs.

I know you are aware of the AASHTO and USDOT studies, and I will cite some statements which I believe should be kept before your Committee during its consideration of possible alternatives.

AASHTO STUDY STEERING COMMITTEE STATEMENTS

The flat diesel differential reduces equity among vehicle classes more than any other alternative.

The flat diesel differential creates the greatest incentive for evasion of taxes by use of heating oil and other means of avoiding the fuel tax.

The weight-distance tax provides more equity among and within vehicle classes than any other alternative considered.

A federal weight-distance tax could be considered as a replacement for the heavy vehicle use fee and all other federal highway user charges except fuel taxes.

If considered, a federal weight-distance tax should be designed to yield at least equal revenues for highway purposes and to provide equity among users.

If considered, a federal weight-distance tax should be administered by state governments with federal reimbursement for costs involved.

I support these statements and wish to point out that Oregon has for decades administered a state weight-mile tax similar to that suggested in the report. Our experience has shown that the cost to administer such a tax is 7 percent to 8 percent of gross revenues collected, recordkeeping is not complex or unreasonable, and compliance among operators is relatively high. I believe application at a national level could be accomplished at substantially lower administrative costs and an even lower evasion rate. Our preference would be to see this alternative to the heavy vehicle use tax implemented as soon as practical to replace all federal highway truck user charges except fuel taxes. Replacing the excise tax on trucks and trailers should result in substantial improvement to the truck manufacturing economy.

HIGHWAY TRUST FUND

The 1982 Act included the concept of minimum apportionments to states equal to at least 85 percent of their Highway Trust Fund contributions. Studies now indicate the impact of these apportionments on the trust fund may have been inadequately assessed, resulting in an outflow of funds greater than projected revenues under current tax rates for highway purposes. A correction of this oversight will be required in the next few years if current estimates are correct. Also, alternatives to the heavy vehicle use fee present complications to this as one-ninth of all fuel revenues go to the Mass Transit Account. A diesel fuel differential alternative would surely be a windfall to this account and would run counter to the user equity concept if proper adjustments were not made.

It is my hope that the subcommittee will make timely adjustments to the highway user taxes to assure revenues adequate to fully fund authorized programs, retain and enhance equity and fairness of taxes to system users, and consider a federal weight-distance tax in lieu of all highway user fees except fuels, and eliminate the gasohol tax exemption as soon as practical, perhaps with an effective date of July 1, 1986. This is an effective approach in maintaining the financial integrity of the Highway Trust Fund through tax readjustments, and improvements in equity among user classes.

UNIFORM STATE TRUCK TAXATION AND REGISTRATION

For your record, I want you to know that we have expressed our views on this issue to the House and Senate Public Works Committees and their Transportation Subcommittee leadership. Oregon strongly supports the concept of uniformity in truck taxation and registration processes among states. FHWA, the American Association of Motor Vehicle Administrators and other groups are currently developing additional details for possible implementation of this concept, and the AASHTO report previously cited supports the idea of attaining uniformity in procedures.

Specifically, the AASHTO report recommends establishing a National Motor Carrier Tax Service Bureau to provide data collection service, administration of multistate agreements and other related agreements and audits. I believe this would be a great service in enabling state truck taxation and regulation processes to be compatible with one another. Also, it would provide an ideal mechanism to help implement any possible federal weight-distance tax as the records and documentation would be compatible among states, and the audit trails would be comprehensive and complete.

I have noticed in several instances concerning this issue that some proposals place a limit on a state's prerogative to raise certain taxes, and would prohibit a third-structure tax such as a weight-distance tax at the state level. I strongly oppose these efforts to preempt a state's ability to impose taxes as it finds necessary to meet its particular transportation demands.

Thank you for considering Oregon's position on these important issues. I believe your Committee has done an excellent job in addressing the needs of this nation in the past, and I look forward to your continued success in the year ahead.

RIENZI, MISS., *February 20, 1984.*

Congressman DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROSTENKOWSKI: In reference to HR 2124, I sincerely urge you and your committee to approve this Bill. There are a large number of timber truckers who would be unfairly penalized under the current use tax. Most of their hauls are short distance, one-way trips, with an empty return haul when the log truck returns to the forest from the mill. The "Diesel Differential" provision of HR 2124 is the best alternative to the heavy vehicle use tax.

The repair and maintenance of our nation's highways and bridges is as important to our truckers as it is to the other users of our highways. They accept the increase in fuel taxes called for in the Surface Transportation Assistance Act of 1982 because it is a "pay as you go" tax and is fair to all truckers. They feel that replacing the heavy vehicle use tax with an offsetting increase in the tax on diesel fuel is an alternative that meets the test to simplicity, ease of collection and economy of operation. I respectfully request that your committee give serious and prompt consideration to the alternatives embodied in HR 2124. I also request that this letter be made part of the official hearing record.

Thank you for your consideration.

Sincerely yours,

PRESTON F. PADGETT.

PRENTISS & CARLISLE CO., INC.,
Bangor, Maine, February 17, 1984.

Chairman DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSTENKOWSKI: The forest products trucking industry in Maine has some very serious problems. The final blow to many has been brought about by the very excessive heavy vehicle use tax which increased large combination trucks from $240 to $1900.

Although there are no easy solutions, legislation such as S. 1475 and H.R. 2124 are a better alternative for some relief.

I strongly urge you to support the above mentioned legislation and that my letter be made part of the official hearing record.

Yours very truly,

E. G. MACE, *Vice President.*

STATEMENT OF GEORGE R. FRENCH, JR., PRESIDENT, PRIVATE CARRIER CONFERENCE, INC.

On behalf of the Private Carrier Conference, Inc. ("PCC"), please accept this written statement for the printed record concerning the Department of Transportation's report to Congress on alternatives to the heavy vehicle use tax enacted in the Surface Transportation Assistance Act of 1982 ("STAA"). The public hearing was conducted on Thursday, February 23, 1984, by the Honorable Dan Rostenkowski (D., Ill.), Chairman of the Committee on Ways and Means, U.S. House of Representatives.

My name is George R. French, President of the Private Carrier Conference, Inc. PCC is a national, non-profit trade association with a membership of nearly 4,000 manufacturers, distributors, processors and retailers who operate motor trucks incidental to and within the scope of their non-transportation primary business endeavors. Also included in PCC's membership are other national trade associations, truck equipment and component manufacturers, vehicle and driver leasing companies and other business firms supporting private carriage. PCC is an independent, separately-chartered organization affiliated with the American Trucking Associations, Inc. PCC's primary responsibility is to speak for private motor carriers on all issues of concern. Private carriage is the dominate sector of the trucking industry and accounts for nearly 60 percent of the nation's intercity ton-mileage. PCC's members operate an estimated six million motor vehicles.

PCC supports the diesel differential as envisioned in H.R. 2124 and S. 1475. Of the alternatives, the diesel differential is the most economical, equitable and administratively feasible mechanism by which the Federal government can collect much-needed tax revenues for the purpose of improving the nation's highways and bridges pursuant to the STAA.

BACKGROUND

PCC, and all other responsible trucking organizations, whole heartedly support the laudable goal of improving the nation's highways and bridges. In this respect, Congress is presented with the question of not whether to tax, or how much to tax, but how to tax in the most equitable and administratively feasible manner. To this end, PCC submits that the tax must embody one longstanding and simple transportation concept, that is, if the deteriorating conditions are a function of use, the tax levied to improve said conditions must also be a function of use. With this simplistic, although functional starting point in mind, PCC offers the following comments.

TAX OBJECTIVES

PCC speaks solely for private carriers; however, it should be noted that with respect to the issues before this Committee, PCC's views are consistent with the views of other motor carrier organizations including the American Trucking Associations, Inc. In any event, PCC submits that private carriers or any other motor carriers can ill-afford a costly and disproportionate tax increase. The present heavy vehicle use tax slated to take effect on July 1, 1984, is a completely unacceptable tax increase. The record is replete with just criticism of the heavy vehicle use tax. PCC's major criticism of the heavy use tax is that it fails to sufficiently incorporate the necessary transportation use tax objectives.

The central objective of any transportation use tax is that such tax must be equitable in its application. It is easy to assert that heavier vehicles do more damage to the nation's highways and bridges, and therefore, should be required to absorb their proportionate share of the upkeep costs. The problem here is not one of concept, but one of application. Even assuming this proposition is true, the studies have been unable to provide the transportation industry with reasonable accurate weight-to-damage ratios from which an equitable tax scheme could be developed. In short, many of the scientific formulas an empirical studies are flawed and cannot be used in developing a tax scheme.

The immediate problem is to raise $12.5 billion by 1985. PCC recognizes that Congress must immediately enact the most equitable tax program in light of the current problem with adequate and equitably attributing road wear and tear to weight.

It is, however, clear that a vehicle which travels 10,000 miles should not pay the same tax as a vehicle which travels 110,000 miles, notwithstanding the respective weight of the vehicles. In short, taxation must be tied as closely as possible to use. In light of this point, PCC believes that the only equitable tax is one that embodies a "pay as you go" concept. The failure to incorporate such a scheme substantially reduces the legitimacy of any transportation use tax.

The final transportation tax objective is to adopt a tax scheme which is administratively feasible. Private carrier can ill-afford to be inundated with time-consuming and expensive record keeping procedures associated with collecting and reporting transportation taxes. Congress must adopt a tax scheme which requires very little administrative expenses. There is no sound reason why the government should adopt a tax scheme which requires a substantial amount of collection and administrative costs, and at the same time, impose additional and costly record keeping requirements on motor carriers.

ALTERNATIVES TO HEAVY USE TAX

In light of the above tax objectives, PCC submits that there is only one reasonable alternative. The diesel differential, although not perfect, best incorporates the above-referenced tax objectives.

The hearing record is replete with examples of the onerous results produced by the heavy vehicle use tax. On July 1 of this year, the maximum amount will increase from $240 a year to $1,600 per year, and ultimately to $1,900 in 1988. Some private carriers could be forced to completely abandon their private carriage operations. PCC will not needlessly embellish the record with additional tax horror stories from private carriers. Suffice it to say, the heavy vehicle use tax is an onerous property tax, and as such, it must be repealed.

The tax has absolutely no relationship to use. One often-cited example adequately demonstrates this point, namely: under the current scheme a vehicle which travels 10,000 miles pays the same taxes as a vehicle which travels 110,000 miles.

PCC supports the diesel differential because it best incorporates the tax objectives of equity, pay as you go considerations, tax compliance and administrative feasibility. Stated from a different perspective, the diesel differential produces the minumum number of adverse results. This is probably why the support for the diesel differential has been steadily growing. Comparatively speaking, the diesel differential is the best tax scheme.

Although the weight-distance tax incorporates the element of weight, it suffers from several critical flaws. For example, the current scientific formulas used to incorporate weight into the taxing scheme are intrinsically flawed. PCC submits that Congress should require the Department of Transportation to conduct a study which will adequately address the question of weight and distance on highway conditions. Until a full and complete study is made, one cannot justifiably rely on any of the formulas which purport to take into consideration the weight of the vehicle.

The major criticism of the diesel differential is that there will be massive tax evasion by truck operators who will use middle distillates such as home furnace oil, heating oil, and kerosene, on which there are no taxes, as substitutes for diesel fuel.

These allegations have been raised and adequately addressed by other parties submitting statements and comments for the record. The essential flaw with the massive tax evasion argument is that such evasion is not possible at this date due to the lack of available nontaxable substitutes for diesel fuel. In addition, the damage done to the engines by the use of such substitute fuels is detectable and disproportionate to the actual tax imposed. Critics, however, generally acknowledge that the diesel differential is a simple and straightforward tax.

SUMMARY

Private Carriers are more than willing to pay their proportionate share of highway use taxes. In this respect, PCC submits that any tax adopted should be equitable, incorporate a pay-as-you-go scheme, contain a high level of tax compliance and be administratively feasible. The diesel differential, which has the bulk of the transportation industry behind it, is the only tax scheme which adequately incorporates the above-noted tax objectives.

PCC acknowledges that the diesel differential is not perfect. It is, however, the best of the alternatives. Stated differently, it produces the minimal number of adverse consequences. The diesel differential is practical tax. The weight-distance tax scheme does incorporate weight into the taxing process. However, to date, the scientific formulas and empirical evidence are seriously flawed.

Presently, the diesel differential is the best of the alternatives. The diesel differential is not a new tax option. There is a substantial amount of evidence available on the feasibility of implementing such a tax. The states which presently apply the diesel differential have not indicated a shift from diesel to gasoline-powered vehicles. In short, the diesel differential best incorporates the tax objectives with the minimal amount of adverse consequences.

After reviewing the available evidence, the Private Carrier Conference's Board of Directors voted to support the diesel differential tax contained in H.R. 2124 and S. 1475. We are confident that Congress will follow this lead once all the evidence is reviewed.

Again, your consideration of the views contained herein is greatly appreciated.

ALBERT CITY, IOWA, *February 19, 1984.*

HOUSE WAYS AND MEANS COMMITTEE: I would like to thank you for giving me the opportunity to express some of the problems facing the independent operators of dump trucks in the State of Iowa.

Our type of hauling is strickly seasonal. We have only six or seven months out of the year that we are able to work.

We haul rock for lanes, farm yards, and agricultural lime to the farmers if the ground is solid enough. Although I might add most of this is delivered by the quarries.

As the ground dries up and the weather warms up in June, roadwork begins. Very little work is done before this as the roads are embargoed.

We then deliver sand and rock to paving projects. Some truckers haul blacktop and yet others haul gravel for country roads.

All of our work depends on the temperature, as we are not allowed to pave or blacktop if the temperature is too cold or too hot.

The season ends middle of October, sometimes November. Yet we must license the trucks January 1 to June 30 and July 1 through December 31. So we are caught with months of expense without income.

Equipment licensed for 80,000 lbs. are not permitted on our roads and bridges, only Interstate and certain State highways, as the roads and bridges cannot tolerate the stress.

Yet, we must license for the Interstate work.

We have had many fuel tax increases in the past. The last one was presented to the trucking industry for road improvement. We are more than willing to pay for road improvement. Only to have this money used to buy farmland to lengthen landing strips for the airports and then not used. Millions given to the railroads. Millions diverted to the State general fund because they're broke. Then the State has the nerve to tell the Iowa Department of Transportation to tighten their belt when it comes to road work.

With all of these problems we still have more that face the small independent dump truck operators, but I will not go into them.

We have talked to many truckers like ourselves, and they agree with our point of view.

If the heavy use tax is added to the fuel, it will be apportioned as the truck is being used, which is a fair way for everyone.

The small trucker is not able to bear the tax load for the year round trucking.

Thank you again for taking the time to read this poorly written letter.

Sincerely,

GARY AND MARY REESE.

STATEMENT OF THE SOCIETY OF INDEPENDENT GASOLINE MARKETERS OF AMERICA

The Society of Independent Gasoline Marketers of America ("SIGMA") submits the following comments on alternatives to the use tax on heavy vehicles. The House Committee on Ways and Means is considering possible alternatives to the present use tax based on findings reported to the Committee by the Department of Transportation ("DOT"). SIGMA opposes any increase in diesel fuel taxes, such as "diesel tax differential" alternatives which would increase the diesel fuel tax rate for certain vehicles and would reduce the heavy vehicle use tax, because such an increase will result in significant problems for and costs of tax collection, remittance, and compliance to motor fuel marketers. If Congress determines that an increase in diesel fuel taxes is necessary and adopts a diesel tax differential alternative, such an increase must be accompanied by a tax-refund scheme for lower-tier taxpayers to avoid an administrative "nightmare" with respect to the collection and remittance of the tax on diesel fuel. Moreover, any increase in diesel fuel taxes should be accompanied by a five-day extension in the remittance schedule of diesel fuel taxes for small-business remittors and a provision allowing diesel fuel retailers to enter into voluntary "consent agreements" with their suppliers for the collection and remittance of diesel fuel taxes. These suggested provisions will reduce the increased problems for, and costs to small-business remittors, which an increase in diesel fuel taxes would generate.

INTRODUCTION OF SIGMA

SIGMA is a trade association comprised of approximately 250 independent marketers and private-brand chain retailers of motor fuels. SIGMA's members operate in 49 of the 50 states and their sales equal nearly 15 of the motor fuels sold to the retail market. SIGMA's members are small businesses which both wholesale and retail gasoline and diesel fuel.

SIGMA members are concerned both with the use tax on heavy vehicles and the federal excise tax on diesel fuel. SIGMA's members own and operate heavy vehicles in the distribution of motor fuels and are subject to the use tax on these vehicles. Moreover, these companies collect and remit a significant portion of the total federal motor fuel excise taxes. However, SIGMA's comments are limited to its members' role as small-business remittors of diesel fuel taxes.

DEPARTMENT OF TRANSPORTATION STUDY

The Surface Transportation Assistance Act of 1982 ("STAA"), in addition to restructuring highway excise taxes, directed DOT to study alternatives and improvements to scheduled increases to the use tax on heavy vehicles and to report to congressional tax-writing committees. 26 U.S.C. § 4481 note. DOT's report, "Alternatives To Tax on Use of Heavy Trucks," was delivered to Congress on January 25, 1984.

DOT's report does not recommend a specific alternative to the use tax provided under present law. The report discusses various alternatives, including weight-distance taxes and varied rates of tax on diesel fuel consumed by vehicles within different weight categories (i.e., diesel tax differentials), in terms of revenue yield, distribution of excise tax liability, and effects on tax administration and compliance. The report finds that a weight-distance tax is an impractical alternative in the short-term and concludes that a diesel tax differential could be structured "to achieve revenue neutrality, maintain the current distribution of the tax burden across vehicle weight classes, and improve the equity of the user fees within weight class of vehicles" (p. VIII-2).

However, DOT's report notes certain administrative problems associated with the diesel tax differential options. Because the diesel fuel tax is imposed at the retail or use levels, increased diesel fuel taxes would affect a significant number of taxpayers. Although these taxpayers currently are liable for the payment of existing diesel fuel taxes, the Internal Revenue Service ("IRS") would have to scrutinize closely their returns to determine compliance. The report states that a higher diesel fuel tax could lead to attempts to evade the tax either through the substitution of untaxed home heating oil or the resale of diesel fuel purchased for an exempt use. In addition, a lower diesel fuel tax for fuel used by diesel-powered automobiles and light trucks (less than 10,000 pounds) would require additional recordkeeping or tax-filing requirements for a large number of persons.

Such problems must be studied carefully by Congress in considering alternatives to the heavy vehicle use tax. Because of these problems and the resulting administrative burdens and costs they create for small-business remittors, SIGMA opposes any increases in diesel fuel taxes. However, if Congress determines that an increase in diesel fuel taxes is preferred over the scheduled increases in the use tax on heavy vehicles, any such increase in diesel fuel taxes should be minimal. The smaller the increase in diesel fuel taxes, the less incentive there will be for the tax avoidance noted in DOT's report. An increase in diesel fuel taxes could be minimized by retaining the use tax exemption for trucks below the 33,000 pounds gross vehicle weight threshold and abating the tax for trucks over this limit. If a diesel tax differential option were the approach selected by Congress for a diesel fuel tax increase, SIMGA emphasizes that such an alternative must provide for a uniform rate of payment at the time of purchase and a tax-refund mechanism for lower-tier taxpayers to recover overpayments resulting therefrom. Such an alternative also should provide for a five-day extension in the remittance schedule for small-business remittors of diesel fuel taxes and a provision for diesel fuel retailers to enter into voluntary "consent agreements" with their suppliers for the collection and remittance of diesel fuel taxes. Any diesel fuel tax increase, whether or not it provides for a diesel fuel tax differential, should include the latter two suggestions.

TAX-REFUND MECHANISM FOR DIESEL TAX DIFFERENTIAL OPTIONS

The diesel tax differential options discussed in DOT's study presume the creation of a two-tiered tax structure; diesel-powered trucks weighing more than 10,000 pounds would pay a higher tax, while automobiles and trucks weighing less than 10,000 pounds would continue to pay the existing nine-cents-per-gallon diesel fuel tax. Any such diesel tax differential must be structured so that the higher-tier diesel fuel tax rate is reflected in all retail sales of diesel fuel and that all taxpayers qualifying for the lower-tier diesel fuel tax rate be permitted to file for a tax refund on their annual Form 1040.

Most retail motor fuel outlets operated by SIGMA members have only one dispenser dedicated to the sale of diesel fuel. If legislation directs the IRS to mandate that each tax tier be posted in the retail price of diesel fuel, SIGMA members would have to install a second dispenser at each retail outlet or would have to install dispensers capable of calculating either tax rate. Neither of these alternatives is practicable.

Under a scheme of non-uniform taxes on diesel fuel sales, SIGMA members and their employees would be placed in the position of identifying potential vehicles to determine the appropriate rate of tax which should be paid with respect to purchases made for them, and enforcing the tax code for every sale at the diesel pump island. At large, self-service operations, heavy truck operators could avoid the higher tax rate by pulling up to a lower-tier tax pump or by switching the dispenser to calculate at the lower rate. The "policing" of diesel fuel pumps to prevent this situation would entail additional costs to motor fuel marketers and must be recognized as important because of the significant amount of diesel fuel pumped by self-service customers. This daily station enforcement problem can be avoided by reflecting the higher-tier tax in the retail price of all diesel fuel and by using the suggested tax-refund procedure. The IRS has an adequate enforcement and audit program for such tax returns, particularly when the amount of refund per low-tier taxpayer probably would not exceed $25.00 per year.

FIVE-DAY EXTENSION FOR DIESEL FUEL TAX DEPOSITS BY SMALL-BUSINESS REMITTORS

An increase in diesel fuel taxes will increase SIGMA members' accounting costs for federal excise tax deposits and will increase costs for cash handling and security. Moreover, many SIGMA members wholesale diesel fuel to retailer accounts. A business failure or bankruptcy by a retail dealer may result in non-payment of federal diesel fuel taxes and in tax liens being placed on the retail outlet by the IRS. Thus, where the SIGMA member owns the retail outlet, it cannot be reopened until the tax liens have been satisfied. While a SIGMA member is willing to pay the tax liens in order to reopen the outlet, he may have no legal mechanism to be reimbursed. Moreover, in many instances, the SIGMA member has not been paid for the diesel fuel sold to the retailer.

In recognition of the cash flow and other burdens imposed on small-business remittors by increases in excise tax rates, Congress in the STAA provided these taxpayers with a five-day extension for the remittance of gasoline excise taxes. 26 U.S.C. § 4081 note. Small-business remittors now can deposit gasoline excise taxes on the 14th and 29th days of each month. However, the STAA did not provide a similar extension for diesel fuel tax payments, which are deposited on the 9th and 24th days of each month.

SIGMA recommends that any legislation providing an increase in diesel fuel taxes include a similar five-day extension for the payment of such taxes. Such an authorization would reflect the additional cash flow, accounting, and handling costs small-business remittors would have to absorb as the result of an increase in diesel fuel taxes. SIGMA members are among the estimated 158,000 companies which deposit Special Motor Fuels Excise Taxes to the United States Treasury. However, a small-business remittors, any diesel fuel tax increase will result in increased costs and risks for SIGMA members. By allowing small-business remittors to deposit diesel fuel taxes on the 14th and 29th days of each month with their gasoline tax deposits, these increased costs could be offset, particularly if the small-business remittor cannot write off the bad debt losses noted above. In addition, compliance would be less cumbersome.

SIGMA understands Congress' concern that a five-day extension of the remittance period for small-business remittors would result in lost revenue to the United States Treasury. However, the revenue lost by a five-day extension is a one-time loss in earned interest, which will be more than offset by the interest earned on the diesel fuel tax that would be collected and would be refunded to lower-tier taxpayers under a diesel differential option. This earned interest is not refunded to these taxpayers. Accordingly, SIGMA believes the federal government can forego the one-time loss in earned interest in order to help reduce the costs of tax collection, remittance, and compliance for thousands of small businesses.

"CONSENT AGREEMENTS" FOR DIESEL FUEL RETAILERS

The federal government's enforcement costs for any increase in diesel fuel taxes can be reduced by permitting diesel fuel retailers to enter into voluntary "consent agreements" with their fuel suppliers to have the suppliers collect and remit diesel fuel taxes on their behalf. Under present law, all diesel fuel retailers collect and remit diesel fuel taxes. However, bulk end-user customers can elect to sign a "consent agreement" to have diesel fuel taxes collected and remitted on their behalf by their suppliers. Treas. Reg. § 48.4041-4(a). SIGMA members supply at wholesale diesel fuel to many retailers who do not have the accounting resources to collect and remit large sums of diesel fuel taxes. Gasoline is sold to these retailers on a tax-paid basis. SIGMA recommends that these retailers be permitted to sign voluntary consent agreements similar to those used by bulk end-users. Such a provision, in addition to reducing a retailer's accounting and handling costs, would reduce significantly the number of excise tax returns that would have to be processed and reviewed by the IRS.

CONCLUSION

SIGMA opposes any increase in diesel fuel taxes because of the administrative and cost burdens such an increase would have on motor fuel marketers. SIGMA recommends that any legislation increasing diesel fuel taxes as an alternative to the use tax on heavy vehicles address a tax-refund scheme for lower-tier taxpayers if a diesel tax differential alternative is selected, a five-day extension for diesel fuel tax remittance by small businesses, and an authorization for voluntary retailer "consent agreements."

SUPERWOOD CORP.,
Duluth, Minn., February 20, 1984.

Chairman DAN ROSTENKOWSKI,
House Ways and Means Committee,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN ROSTENKOWSKI: I am pleased to hear that on Tuesday, February 23, 1984, the House Ways and Means Committee will hold a hearing to consider HR 2124 dealing with the Surface Transportation Act of 1982.

I write today to urge your support for the Diesel Differential alternative in HR 2124. The alternative proposed would remove an unfair burden on the trucking industry throughout the nation while still providing an equal amount of revenue to the Department of Transportation as provided in the Surface Transportation Act of 1982. It is my opinion that the Department of Transportation should also support HR 2124 to show their willingness to help the trucking industry, an industry which has not been in healthy financial condition for many years.

I thank you for your consideration and support and respectfully request that my letter be made part of the official hearing record.

Regards,

BOB JOHNSON,
Director of Wood Procurement.

UNITED PARCEL SERVICE,
Washington, D.C., February 22, 1984.

Hon. DAN ROSTENKOWSKI,
Rayburn House Office Building, Washington, D.C.

DEAR CHAIRMAN ROSTENKOWSKI: United Parcel Service wishes to express its views on H.R. 2124 and various other proposals relating to the so-called diesel differential fuel tax. United Parcel Service is critically concerned with this legislation because we operate over 40,908 vehicles on the nation's highways. While some of these are the familiar brown gasoline powered delivery trucks we also operate over 5,204 diesel tractors.

The purpose of this bill is to change some of the use tax provisions in the Surface Transportation Assistance Act of 1982. As you know, we wrote to you in the December of 1982 in support of the Surface Transportation Assistance Act which was before your committee. We supported that bill at a point where the levels of use tax were higher than those finally approved in conference. We felt then, and we still feel now, that the increases in productivity made possible by uniform truck size standards across the country more than justified the increases in the taxes. We also agreed then, and we agree now, that it is essential that the nation's roads be maintained in a safe condition.

United Parcel Service has been an energy conscious company long prior to any fuel interruptions. We have attempted to operate our fleets of vehicles in the most economical way since the founding of our company. We testified before Congress in 1978 and 1979 and before the Department of Transportation in 1979 about the various methods UPS uses to gain this fuel economy and about the overall economy per delivery of our operations.

As proposed, H.R. 2124 and all of the alternatives for changing the heavy vehicle use tax suggested in the recent report to Congress from the Secretary of the Department of Transportation under Section 513 (g), of the Surface Transportation Assistance Act of 1982, (dated January 25, 1984), provided for a tax on diesel fuel used in vehicles with a GVW of over 10,000 lbs. As passed by the Congress, the Surface

Transportation Assistance Act woud apply use taxes only to those vehicles over 33,000 lbs. and at reduced rates for the ligher vehicles. This method is in concert with the DOT Cost Allocation Study and puts the highest taxes on the vehicles that cause the most highway wear. We would recommend that the diesel differential should only be applied to vehicles above 33,000 lbs. GVW.

In the past, American manufacturers have not produced diesel powered small and medium sized trucks. Because of the need for economy and fuel efficiency American manufacturers have this kind of equipment on their drawing boards and in many cases coming into production. There will be tremendous energy savings available to the country in the event that small and medium weight trucks are converting from their present gasoline configurations to diesel. As the operator of a fleet of over 40,000 gasoline powered vehicles, United Parcel Service is looking forward to the time when we will begin coverting our fleet to this new kind of technologically superior equipment. Passage of a tax which will increase the cost of diesel fuel for this light weight equipment which does not do substantial damage to highways in order to reduce taxes for heavy weight vehicles seems to us to be a disincentive to the purchase of these new diesel powered vehicles.

United Parcel, Service has also, at great expense, working in conjunction with the Texaco Company, developed a stratified charge engine conversion kit. When converted, the stratified charge engine is a multi-fuel engine. This engine operates as well with diesel fuel as it does with gasoline or a variety of other fuels, such as drip gas, a by-product of natural gas production, or even "pipeline interface", the fuel mix which occurs when pipe lines change products between gasoline and diesel. By the end of this year we will have 500 of these vehicles operating in the country. Our early results on the operation of these vehicles shows this to be an exceedingly practical engine for UPS' purposes.

As a company that has come to Congress in the past and told you of our efforts in fuel and energy conservation, we are obligated to tell you that we do not consider these tax alternatives to be energy efficient. When diesel engines for small and medium size vehicles become available in the future, they will be a great energy savings deviced. This is true not only because of the greater mileage that diesels will provide in comparison to gasoline engines in the same size vehicles, but also because you get more gallons of diesel fuel per barrel of crude oil than you do cracking that same barrel of gasoline.

If there are difficulties among some truck operators in paying the use taxes provided for in STAA, the solution is not to tax small fuel efficient diesels to pay for those fees but to find a better way to apportion that cost among large vehicles. In the interest of energy efficiency, we would recommend that any changes in the Heavy Vehicle Use Tax, whether on diesel fuel or use, be confined to vehicles over 33,000 pounds.

Sincerely,

RICHARD D. ECKBURG, *Vice President.*

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